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EDITORIAL

As We See It

"To start with it is the first time in half a century that our tax laws have been completely overhauled.

* * *

"So, there you have, in broad outline, the new tax revision program. I most earnestly hope that the Congress will pass it.

"But—this is an election year. Some think it is good politics to promise more and more government spending, and at the same time, more and more tax cuts for all. We know, from bitter experience, what such a policy would finally lead to. It would make our dollars buy less. It would raise the price of rent, of clothing, and of groceries. It would pass on still larger debts to our children.

"Some have suggested raising personal income tax exemptions from $600 to $800, and soon to $1,000, even though the budget is not in balance. Now, you've seen this kind of deal before. It looks good on the surface but it looks a lot different when you dig into it.

"The $1,000 exemption would excuse one taxpayer in every three from all Federal income taxes. The share of that one-third would have to be paid by the other two-thirds.

"I think this is wrong. I am for everybody paying his fair share.

"When the time comes to cut income taxes still more, let's cut them. But I do not believe that the way to do it is to excuse millions of taxpayers from paying any income tax at all."

Few will doubt the force of these words by the President of the United States. Yet the fact is

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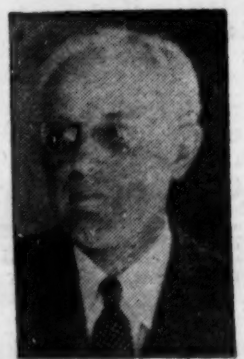
In Defense of Congressional Investigating Committees

By WILLIAM CHAMBERLAIN

Formerly President of the United Light & Power Co.

Mr. Chamberlain discusses the general question of investigations by Congressional Committees with some reference to present controversies. Offers arguments regarding the constitutional aspects of the problem, regarding which, he says, there is considerable misconception. Holds those opposing procedures in such investigations have neglected to look into the records regarding the interrogation of witnesses.

I do not share the belief that Congress should cease its investigations into the conduct and personnel of the Executive and Administrative branches of the government. With the suggestion that the supervision and control of such agencies should be left to the Executive, I also disagree, considering it repugnant both to reason and experience as well as to the plain provisions of the Constitution. And before advancing the reasons for my disagreement I submit a question for consideration. As a Board member of a corporation would you be content to free the Executive and Administrative staffs, appointed by the Board and holding office at the will of the Board from Directorial observation, Auditing and Control? Having approved policies and sanctioned expenditures would you consider your duty to shareholders at an end insofar as those policies and expenditures were concerned? I propound this question since I propose to point out the Constitutional function and place of Congress in the mechanism of government, particularly in its relationship to the Executive and Administrative agencies. Once the true function and duty of Congress is understood the significance of the question will, I think, be apparent.



William Chamberlain

Since the founding of the government not only legislative, but supervisory and co-related inves-

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The Tax on Dividends

By NEIL CAROTHERS

Dean Emeritus, School of Business Administration, Lehigh University

Dean Carothers, estimating Federal Government takes four-fifths of the earnings of corporations, and this confiscatory taxation is eating up the funds necessary for the expansion of enterprise and drying up the springs of investment, points out double taxation of dividends is of recent origin, coming in with the Socialist New Deal policies, and is contrary to the tax policy in Great Britain and other leading countries. Though critical of new proposals in Congress to cut dividend taxation, he concludes measure, if enacted, will make stock investment more attractive. Holds stockholders will still be unfairly overtaxed.

Sometime ago this writer made an analysis of the taxes paid by the owners of corporations. The conclusion was that more than 80% of the earnings of corporations are taken in taxes by the Federal Government.

Directly or indirectly the corporations support every life insurance company, every hospital, every charity, every college. Churches and labor unions have a stake in corporations. In peace and in war the life of the nation depends on the corporations. They are our hope for a better life in America.

Neil Carothers

In the face of these facts the Federal government takes four-fifths of the earnings of corporations. No other group in America is subjected to this sort of confiscation — not farmers or merchants or wage-earners. Corporations do not exist for their owners, but for the government. Competent authorities have long known that this confiscatory taxation is eating up the funds necessary for the expansion of enterprise. It is drying up the springs of investment.

The causes of this discrimination against the group in the community which keeps our economic system alive

Continued on page 10

ON THE INSIDE—A glance at the index on page 3 vividly shows the wealth of information of vital importance to the securities industry, investors and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

The Hartford Steam Boiler Inspection & Insurance Co.—Harold C. Bailey, Investment Counsel, West Hartford, Conn. (Page 2)

Haloid Company—Common Stock—T. Reid Rankin, R. M. Horner & Co., New York City. (Page 2)

HAROLD C. BAILEY
Investment Counsel, West Hartford, Connecticut

The Hartford Steam Boiler Inspection & Insurance Co.

One of the more undervalued of our insurance stocks (at 52) seems to me to be that unique specialty insurance company — Hartford Steam Boiler Inspection & Insurance Co. While there is a mutual company which also specializes in insurance and inspection of machinery and boiler risks, this is the only such stock company in the business. It is true of course that several multiple line companies have relatively small divisions in the field but Steam Boiler (as it is known in the trade) is the established leader in this line by a wide margin.


Harold C. Bailey

It is not hard to visualize why this is so. The costs of servicing insureds are very high because of a corps of skilled engineers and their assistants (some 750-800 in all) are constantly engaged in the inspection of risks and counseling of insureds all over the country. Such staffs cannot be built over night nor are adequate staffs possible at all unless volume of business justifies the outlay. Steam Boiler pioneered in 1866 and has continued the leading insurer for 87 years, thus acquiring a prestige which seems unlikely ever to be challenged. For their insureds know that Steam Boiler provides something much more valuable than mere boiler and machinery insurance — namely the advisory and research service that goes far toward ensuring that losses *do not occur!* When losses do occur there is careful inquiry into the underlying circumstances so that this experience may be applied to the prevention of future losses. $800,-927 was derived from "special engineering services."

Some measure of the company's growth is revealed in the uptrend of assets from $20.8 million to $46.3 mililon in the period 1940-1953 and by an increase of $23 million in capital funds plus unearned premium reserves.

The uptrend has been even more marked since 1950 than the foregoing figures for the 13 years disclose. (Figures in millions.)

	1950	1953	Increase	%
Total Assets	$33.4	$46.3	$13.1	39
Capital Funds	11.5	16.3	4.8	41
Unearned Prem.	19.3	26.2	6.9	35
Liquidating Value per share	64	83	19	30

Net earnings adjusted likewise have shown a sustained upsweep since 1949 when $2.92 was reported, compared with an average for the three years 1951-3 of $6.84. This result appears to flow from a rate schedule revision that has made itself progressively felt through expirations in this period coupled with a greater volume of business and a lower loss ratio.

Investment income has advanced more moderately to $3.03 per share in 1953. The full $26.2 million of unearned premium reserve is invested in bonds ($26.4 million) with $1.7 million in preferred stocks and $11.0 million in commons (all 1953 year-end market values). It should be noted that virtually half the bonds are tax-exempt and that substantial holdings are owned in Connecticut General Life Insurance 7,500 sh.), Aetna Life (9,000 sh.), Phoenix Insurance (2,850 sh.), Hartford Fire (2,700 sh.) and Travelers (600 sh.). The whole industrial portfolio shows the same heavy emphasis upon growth situations. Accordingly investment income is low—just under 2.7% from gross income before investment expenses. But investment income has risen from $2.38 a share in 1949 to $3.03 a share in 1953 nevertheless. Market appreciation during 1953 in major items has been marked — about $1 a share in Connecticut General alone.

The Canadian subsidiary, The Boiler Inspection & Insurance Co. of Canada, established in 1875 and wholly owned except for qualifying shares since 1907, is carried at $762,600. This company paid no dividends in 1953 to the parent and its earnings are not incorporated in the parent's report. The company occupies the premier position in Canada and will, it is believed, continue to grow with the industrial and utility expansion of that developing nation. Relatively nominal earnings were produced in 1953.

At current prices this stock sells for a little more than 17 times investment income — a seemingly rather liberal ratio until one analyzes the portfolio and notes the generally dynamic character of the equity commitments. It also sells for 7.6 times its average net earnings in the past three years reflecting the new rates and improved experience which are expected to continue. It sells, too, for about 63% of its liquidating value.

Since the $1.60 dividend (plus 20c extra) is highly conservative, this stock has important tax advantages. Hartford Steam Boiler Inspection & Insurance Co. has 300,000 shares of capital stock outstanding of which 39,210 shares (13%) were held at the year-end by Hartford insurance companies and 9,576 shares by its directors. Like most other insurance stocks it has an over-the-counter market.

T. REID RANKIN
R. M. Horner Company
New York City

Haloid Company—Common Stock

There is a place in most investment portfolios for a stock offering unusual characteristics for potential capital appreciation—stock of high calibre, rather than one with speculative attraction. While most investors require a reasonable income return, a portion of the funds should be placed in growth situations to guard against unforeseen losses.


T. Reid Rankin

Basically, the Haloid Company is an old company doing a steady profitable business. It has developed a new process, affiliated with its present line of products, but something which could, in time, become of such magnitude as to change the entire outlook for the company. I believe Haloid Company common stock merits consideration on this basis. Selling about 45 and paying a dividend of $1.40 the stock is not attractive from the standpoint of income, but based on the prospects of expanded sales and future earnings, it does become interesting for inclusion in an investment list.

Haloid holds exclusive world rights to a new process known as Xerography (pronounced Ze-rog-ra-fee). It is a dry electrical-copying direct positive process. Negatives are eliminated. Anything written, drawn, or typed can be copied easily and in various sizes.

A chart, picture, engineering drawing, letter or other subject can be reproduced in two minutes and from the master sheet, 20,000 copies can be turned out with a resultant copy far superior to any present duplicating method. Since Xerography is dry, powders are used instead of chemicals and water and the method is clean and free of odors or fumes. Sensitized or chemically treated paper is used and is more economical than other reproducing methods.

That modern industry can use this process is demonstrated by the fact that users of Xerography machines are saving money by its use. The Jones & Laughlin Steel Corp. estimates its savings are $150,000 a year. The Ford Motor Co. figures its cost at 37 cents compared to $3.12 for a zinc plate. The Pennsylvania Railroad estimates its savings at $4,000 a year on one Xerox application alone. Large companies like Ford and Jones & Laughlin use 25 or more units.

The close connection with Addressograph-Multigraph has resulted in making of offset master plates for the office duplicating machines. Approximately 90% of Haloid's xerographic sales are now with these Multilith machines. One-quarter of the 40,000 Multilith machines now in operation are prospects for xerographic units. Hence a huge potential exists in this field alone.

International Business Machines is working with the Haloid Company on a system of Xerographic reproduction for IBM machines. General Electric and the Aluminum Company of America are working with Haloid to use Xerography for X-raying moving lines of products for flaws and imperfections. It is axiomatic that new products open up new fields through better ways of doing old jobs and with such associates as IBM, General Electric, and Aluminum Co., there is little doubt that new uses for the process will be developed.

The most important fact, from a future earnings point of view, is that Xerographic equipment is leased on an annual basis. Rental on new installations averages about $1,000 per unit. The cost of a unit is approximately $1,000 so the company gets back its cost in one year. In addition, Haloid furnishes users with the necessary materials and supplies and at favorable profit margins. The rental, instead of outright sale, and the recurring need for supplies can be expected to represent

Continued on page 37

What's Ahead for Air Conditioning

By M. M. LAWLER*

Vice-President, Worthington Corporation

Mr. Lawler reviews remarkable progress of air conditioning during past decade, and describes its profound effect upon U. S. social and economic structure. Says air conditioning has finally won definite consumer acceptance, and we are on the threshold of the "Air Conditioned Age." Explains development of central station residential systems and other advances made in air conditioning. Calls air conditioning a "recession proof" industry, but warns manufacturers of air conditioning equipment must improve their products, if they are to fulfill their responsibilities to the public.

During the past 10 years air conditioning has had a profound effect upon the social and economic structure of the United States. We have witnessed the migration of the textile industry from New England to the Southern States—a migration in which air conditioning has played a major role. At a recent meeting of Southern newspaper editors the statement was made by the Editor of one of the Nashville papers that air conditioning has been the principal factor in the postwar industrial development of the South. Through the air conditioning of industrial plants great labor markets have been opened up and manufacturing operations established close to the source of raw materials and markets. Air conditioning and refrigeration have and are playing an important role in the tremendous expansion of the West Coast in such industries as:

Matthew M. Lawler

Citrus Fruit Concentrates.
Aircraft Manufacturing.
Desert Vacation and Resort Areas.

We have seen the development of new textile materials such as nylon, orlon and dacron which are dependent upon air conditioning and refrigeration for the success of their manufacturing processes.

A new industrial empire has grown up along the Gulf Coast of Texas during the past decade in which our industry has played a leading part in supplying equipment and services not only for the control of manufacturing process but to provide for the comfort and efficiency of the workers in the plants, the office and the home.

It is not my purpose to review the uses of air conditioning and refrigeration in industry. As you know the uses of our products and services are legion and are increasing daily as industry strives to improve quality and reduce cost. A recent interesting application of our equipment involves the installation of cooling tunnels for cooling automobile bodies and auto parts between the bonderizing operation and the point spray booths.

Our industry has revolutionized the design of office building and hotel structures through the elimination of the need for light courts, cross ventilation, etc., and so has made possible the more economical use of the area enclosed by the walls of the structure.

Such structures as CBS Television City in Hollywood could not be built or used without the benefit of complete air conditioning, as was supplied by Worthington—Pardon the plug!

Few major office or hotel structures of any size have been built since the end of World War II without air conditioning. For example, in New York City since 1947 51 new office buildings have been built or are under construction containing 12½ million square feet of air conditioned space. This has posed a serious problem to the other 343 reasonably modern structures which are not air conditioned—as they must do so in order to retain rent levels, keep their tenants and to keep their personnel from leaving to work in air conditioned offices.

Many of these older structures have been remodeled or are in the process of being remodeled at the present time. Just to name a few there are the Empire State, Irving Trust, United States Lines and American Express Buildings.

Today we have the air conditioned home and the air conditioned automobile. Our industry has finally won definite consumer acceptance. Truly we are on the threshold of the Air Conditioned Age.

Now let me tell you what the air conditioning outlook is today as we see it.

In 1953 the Air Conditioning industry started calling itself a billion dollar industry. Estimates of consumer expenditures for air conditioning systems and equipment range from one billion to one and three-quarter billion dollars and it has become fashionable to predict growth up to five billion a year by 1963.

To understand these figures it is necessary to examine the four basic types of systems and equipment.

Central Residential Systems

Since residential air conditioning is the hottest topic in the industry—let's look at it first.

The American Institute of Management has recently made a study of this market and I think their forecast sales of central resi-

Continued on page 37

*An address by Mr. Lawler at the Air Conditioning and Refrigeration Institute Educational Conference, Long Beach, Cal., March 11, 1954.

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Juice for Florida

By IRA U. COBLEIGH

Enterprise Economist

Outlining investor opportunities for sharing in the growth of Florida through shareholding in its electric utilities.

The Florida juice we're going to talk about today is not the citrus kind—but the kilowatt. While Florida is a big exporter of the former, it's a terrific consumer of the latter, for you see Florida is growing fabulously. Long famous for its coveted real estate, its unrivalled 2,276 miles of coastline, its cattle, cigars and celery; pecans, pensioners and pelicans; temple oranges, tarpon and tourists; it is now zooming along as a hot bed of industry.

Ira U. Cobleigh

Cement is manufactured by using ground coquina shells as well as quarried limestone. Florida is the number one producer of phosphate rock, a basic ingredient of fertilizer; and recently this rock has attained new value, since uranium can now be made from it. There are a couple of other minerals that have gained importance in our jet and rocket age—titanium and zirconium. Florida produces these too.

Any casual traveler through Florida is impressed with the vast sprawling acreage given over to scrubby pines. These are the makin's of pulp and paper; and big outfits like St. Joseph Paper Co. and, more recently, St. Regis with a new $19 million pulp plant are turning these fir forests into (you'll pardon the expression) paper profits.

Oil Possibilities

Then consider the possibilities of Florida as an oil state. Since 1943 over 2.9 million barrels of oil have been produced, and recent drillings, especially in the Southern section at Sunniland (50 miles west of Miami), and Key Largo suggest that there may lurk here another major oil field, with the vast industrial potential that plush petroleum productivity might create. Already on the oil prowl here are big outfits like Sinclair, Humble, Gulf, and Continental, plus a couple of lesser known independents, Commonwealth and Coastal Caribbean. This is mere guess work, but Fort Meyers appears nicely situated for an oil refinery if petroleum proliferates on the lower Peninsula.

Jacksonville is one of the most important railway centers in the South, and is increasingly becoming an industrial, financial, and shipping center. Miami's International Airport is the biggest wing depot south of New York. Companies building or expanding in Florida are almost a "Who's Who" of corporate America — Procter and Gamble, with about $20 million in a new cellulose plant, Chemstrand's fabulous $80 million nylon manufacturing (Pensacola), Winn and Lovett's grocery chain, General Foods, International Harvester, General Motors, Lehigh Portland Cement, U. S. Sugar Corp., Minute Maid, Snow Crop, etc. All this, mind you, added to Florida's traditional industry, tourists, about 4,800,000 this year in and out of hotels, motels, pools, patios and marinas. Tourism is big business, over $900 million per annum, but manufactured goods have now moved well past the visitors in the gross income department.

Population Increase

This rough and ready tabulation of Florida enterprise is, of course, sketchy but it is merely offered to portray, in a broad sweep of the brush, the diverse and dynamic growth factors present in the Sunshine State, the most important of which we've saved 'till the last—people. Florida, between 1940 and 1950 increased population-wise from 1,897,414 to 2,771,305, a whacking 46%. Since 1950 this total has burgeoned to 3,500,000. Miami alone has grown from 110,000 in 1930 to 300,000 today.

Well, this powerful parlay of population and industrial expansion is just duck soup for the electric power trade. There is no single utility company that covers the entire state, but today we're going to discuss a couple that, between them, serve an area with a population of almost two million.

Florida Power & Light

The first and larger is Florida Power and Light Company, sometime member of the Electric Bond and Share family but now a very distinguished independent. FPL operates on the East Coast from St. Augustine south including Daytona Beach, West Palm Beach, Fort Lauderdale, Miami, Miami Beach and swinging around to the West Coast to include Sarasota, Bradenton, Fort Myers and Naples. In 1949 total operating revenues were $40.5 million; five years later (1953) the figure had upped to $69.6 million. In the same period net increased from $5.7 million to $8.4 million. Of this, about half is residential, and 40% commercial. Air conditioning and refrigeration demands are soaring, while appliances and TV are adding up to the power load with each passing day.

To care for these business expansions, FPL has been busy on the generating end. At the 1953 year end, installed capacity was 662,350 kw; with projected additions of 80,000 kw in 1954, 135,000 kw in 1955 and 80,000 more in 1956. This will result in a considerable volume of new financing, the total 1954 assignment being $10 million in preferred stock and $15 million in bonds.

The common, even with the rather impressive advance in the utility list generally in the past 90 days, is still regarded by many analysts as an authentic growth stock, and not unattractive for purchase around the 40 level. The $1.60 dividend might well be advanced on per share earnings which should exceed $3.25 this year; and because of the pick up in summer tourist business and the widespread popularity of air conditioners, the hitherto seasonal dip in earning power is being importantly corrected. 2,450,000 shares of FPL are listed on N. Y. S. E.

Florida Northern Power

Our second public service entry in the Everglade State is Florida Power Company, which serves a population of over 700,000 in the Northern section of the state from The Georgia Line south to St. Petersburg, and an inland midstate area (Georgia Power and Light Co., a subsidiary, serves Southern Georgia). FDP has a heavier percentage of industrial load (about 20% of operating revenues) than Florida Power & Light, including mines, quarries and canneries.

Capitalization is rather spread out with $75.4 million in funded debt, three series of preferred stocks and 2,335,570 common shares listed N. Y. S. E. and now selling at 32 with an indicated $1.50 dividend. Of this outstanding total, 211,416 shares were offered last October. The constant enlargement of the power demand here does suggest that financing at regular intervals may be expected; but earning power of the common shows no noticeable tendency to flag.

A word should be said about rates. The kw average domestic rate for Florida Power & Light is about 3.3¢; and for Florida Power, 3¢. Annual residential kw consumption for both companies is about 2,600 (the national average is currently 2,350 kw).

The selection of these two companies has been offered to those who seek an equity medium calculated to share in the growth factor apparently built-in to the economy of Florida. (Other companies you might inspect would be **Tampa Electric** and **Key West Electric.**) While many local investments in real estate or business may suggest themselves, here's a method of spreading investment over a rather wide geographic segment of the state. Until some of our mutual fund friends come out with a state fund for Florida (like Minnesota Fund, Delaware Fund, Texas Fund, etc.), this may offer a quite acceptable vehicle for those either impressed by Florida as a locale for investment, or favorably disposed towards its coasts and its climate by virtue of recent exposure to its sunshine and serenity. Florida is famous for its juices — oranges, grapefruit, tangerine — they're fine for breakfast; but to put meat on the table, it might be a good idea to consider values offered in juice producing equities like Florida Power, and Florida Power and Light.

A "Rousing Speculative Boom" Can Develop Shortly

By DEXTER MERRIAM KEEZER*

Vice-President and Director of Dept. of Economics
McGraw-Hill Publishing Company, Inc.

After discussing the employment situation, Dr. Keezer, in forecasting trend of business for rest of year, expresses view that we are not now spinning around a downward spiral that will land us deep in depression. Stresses "built-in flexibility" of the economy, and sees no tendency of the downward slide to snowball. Looks for no general upward course of business this Spring, because of unlikelihood of a surge in consumer expenditure. Predicts "a rousing speculative boom," when a new turn comes.

I shall confine my remarks largely to the business outlook for the balance of this year. This permits a relatively speedy check-up on whether I am right or wrong. I shall also have a little something to say about the outlook for business in the years immediately ahead. And I shall probably also indulge myself in that exquisite pleasure of taking a peek or two into that economic paradise which is generally called the long range business outlook. I refer, of course, to that time in the 1960's, 70's and 80's when tremendous baby crops, still to be harvested, become Paul Bunyanesque producers and consumers and solve all of our economic problems so that we live happily ever after.

Dexter M. Keezer

Where We Are Now

As a take-off for a discussion of what's ahead for business for the balance of the year, I think it would be appropriate to take note of where we are right now. This is, of course, much easier proposed than done. There has been tremendous improvemnt in our economic statistics during the last generation. But even so, many of those which are most crucial in determining our position are chronically tardy and generally fragmentary. Right now, for example, there is no information more important in gauging the business situation than that about the state of business inventories. But on this crucial subject we remain very substantially in the dark. And when we finally get the information we now need, the passage of time will have destroyed much of its relevance.

If, however, we take the best gauge of general business activity which is available—the Gross National Product—and then make a studious guess about where it stands right now (on March 23, 1954) we reach the conclusion that it is down about 4% from the peak it reached in the second quarter of 1953—from about $371 billion to about $358 billion. From its second peak of last July (it has a twin peak two months earlier) the Federal Reserve Board's index of industrial production is down about 12%, or from 137 (on a 1947-49 base) to about 120.

Where unemployment, in many ways the most basic and certainly the most politically sensitive business indicator, stands at the moment is something of a mystery. This is because the method the Federal government uses to collect unemployment figures has recently been overhauled, and, hence, the figures cannot be readily compared with those reported in the past. So far as one can tell, however, the figure of 3.7 million unemployed reported by the Bureau of the Census for February is about 1.5 million more than the seasonal increase from last October's peacetime low of unemployment (with 1.2 million out of jobs) which previous experience would indicate is normal.

The other day I participated in an entertaining discussion of what a decline of this magnitude should be called. Is it a recession, is it an adjustment, or what is it? This is a matter on which it seems to me there can be great latitude for individual taste so long as the basic facts are kept in mind. If it makes you feel better, I should call it a readjustment if I were you. It might make you feel even better to call it a "rolling readjustment." That seems to me to have some very pleasing connotations. It also involves an illuminating economic conception. Or you might prefer the term which, so far as I know, was first introduced by "The (London) Economist", in characterizing the business decline in this country in 1948-49. "The Economist" called that a "prosperous recession."

Where Do We Go from Here?

The gripping question, of course, is not what we call what has happened thus far; it is, "Where do we go from here?" There are, I suppose, at least three possibilities to be considered. The first is that the decline in business which I have indicated will start snowballing and won't let up until we have landed in a deep depression. The second possibility is that the slow slide we have experienced since the middle of last year will continue through the year, and reverse itself — perhaps slowly — sometime thereafter. The third, and obviously the most pleasant, possibility is that the downturn in business has pretty thoroughly run its course and that, along with the expanding nature of springtime, there will again be expanding business.

Being an optimist by nature, I would enjoy embracing the third possibility. I don't believe, however, that anyone of the possibilities can be dismissed out of hand. There is a primitive sort of economic logic which gives support to the view that, once embarked on the sort of slide we are now experiencing, there's no stopping until we have spiralled into a deep depression. Some workers lose their jobs, so they can't buy. Hence, the products of other workers can't be sold, so they lose their jobs. And so it goes until, in complete logical fulfillment of the sequence, the last employed worker loses his job and commits suicide. The logic in question is obviously cock-eyed. But I fear it is demonstrable that enough of our fellow citizens are similarly situated, so far as economic matters are concerned, to give such logic quite compelling force under certain circumstances.

Personally, however, I have no fear that we are now spinning around a downward spiral that will land us deep in depression. For one thing, since the great depression of the 30's, our economy has been equipped with a

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*An address by Dr. Keezer at the 21st Annual Meeting of the Southeastern Electric Exchange, Boca Raton, Fla., March 23, 1954.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Production continued to ease in some lines in the period ended on Wednesday of last week, but over-all industrial output showed no appreciable variation from that of past weeks. It continues to be moderately under the postwar record reached a year ago.

In the annual survey of consumer finances made by the Federal Reserve Board, it reports that United States consumers are less confident about their financial prospects this year than last, so they plan to buy fewer cars, houses, furniture and appliances. Continuing, it stated that "consumer spending plans, on the whole, appear to be down compared with 1953 records, but just as big as earlier years which were good by any normal standard."

The most pronounced year-to-year declines in employment were registered in textiles, farm equipment and automobiles. Producers of chemicals, paper and electronic equipment, on the other hand, remained quite active it was reported.

Although new claims for unemployment insurance benefits rose 1% in the week ended March 6, they were down sharply from the high point attained in January. New claims were up 73% from a year ago.

According to the United States Department of Labor, there is no area in the country now with a labor shortage and 34 of the 149 major labor markets have "substantial surpluses" of workers with 6% or more unemployment. At the end of the winter season, the department reported, employment conditions in leading centers were "generally looser" than at any time in the last three years.

In another report, however, the department set forth a bit brighter picture. In the week ended March 6, it stated, 2,200,800 of the 37,000,000 eligible workers were claiming state unemployment compensation. This total was down 12,500 from the week before. In the week ended March 13, new claims for jobless pay dipped to 310,600, off 8,200 from the prior week.

The near-term steel market outlook is discouraging to industry optimists who had predicted a first quarter upturn in business, states "The Iron Age," national metalworking weekly. This week an upturn seems more remote to steel people than it has for the past several weeks. Additional evidence only shows how badly some producers underestimated the size of customers' inventories —and their consequent depressing effect on steel buying. But there are still a few bright spots shining through the gloom to keep alive hopes of a comeback in steel buying.

Scrap prices, this trade journal notes, rose this week for the first time in 1954; prior to this week prices had declined every week this year. This week's increases raised "The Iron Age" steel scrap composite price 84 cents a ton to $24.17 per gross ton.

Another favorable sign is improvement in wire demand. Some steel people feel that wire business tends to reflect future business for other steel products. Since wire was the first carbon steel product to turn soft last year, mills are hoping the current pickup in wire orders may be a signal for revival of demand for other products, continues this trade weekly.

Some sales officials have sent their salesmen out for the specific purpose of establishing their market forecasts for April and May. The results are not encouraging.

There is no inclination on the part of buyers to boost their April schedules or even to hint that May will be better. Salesmen generally agree that buying intentions of their customers are based on minimum expectations. Steel buyers know, of course, that if business should pick up suddenly they will have no trouble booking what they need, this trade authority adds.

The stainless steel market, which showed signs of picking up a month ago, has taken another turn for the worse, states "The Iron Age."

A large stainless producer has laid off 850 more workers for at least two weeks, blaming the poor order situation. This brings to 2,700 the number of workers laid off at this plant. Employment there is down to about 4,100 compared with 6,100 at the start of 1953 and 4,800 at the end of 1953. Employment at the plant hit a peak of 7,100 in 1951, and averaged about 6,700 in 1952.

Business failures continued to rise in February, reaching 926, the largest number in any month in the postwar period. While casualties were 34% above a year ago and were the highest for any February since 1941, they remained 23% below the prewar level of 1,202 in the similar month of 1939.

In the automotive industry the past week car and truck production increased 8% to a 21-week peak and marked the first week since last July 4, that all the industry's producers were in operation at the same time, states "Ward's Automotive Reports."

The agency states that last week's United States output of 143,805 vehicles against 132,673 in the preceding week was the

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Adjustment, Recession Or Depression

By FAYETTE B. SHAW
Associate Professor of Finance
De Paul University College of Commerce, Chicago, Ill.

Dr. Shaw, contending Republican Administration is in danger of being labelled once again "the Party of Depression," holds, after major wars and inflation periods, there is a pattern which has been the same in outline, namely, a postwar depression. Says, "Perhaps we can escape the repetition of hard times of the past, but those who think so, are indulging in wishful thinking." Describes conditions which lead to a depression, and points out the banking system seems to be in better condition than in 1920's. Holds large liquid savings may not be an adequate cushion against depression, and the liberalizing of the housing program "is of doubtful help." Concludes "this is no time for complacency."

The words **depression** and **recession** are naughty words, like **F. D. R.** and **H. S. T.** These are words to be avoided—like halitosis. From political and business leaders come repeated assurances that the "adjustment" now going on in business will be a mild one; that it is well along now, with the worst nearly over; that America is fundamentally sound (like 1929?). Indeed our leaders are almost frantic in their efforts to assure us that everything will be all right if we do not talk ourselves into depression, at the same time warning us not to talk ourselves into depression. Much of this is sheer rubbish. If the economy is so unstable that we can talk ourselves into a depression, the chances are that the same thing would occur anyway, without talking. An avalanche in the mountains may be started by a comparatively trivial cause, but whatever holds the snow upon the slopes may be so weakened that the avalanche would start anyway. If conditions are sound, talking will not bring on hard times. We have been talking recession ever since the end of the war in 1945, yet the decline in 1949 did not become serious nor prolonged, nor did business show signs of deterioration again until last summer. And now if talk will "cause" serious decline, it will come anyway. It is true that pronounced pessimism will deepen a depression, but cannot bring it about if fundamental causes do not make it possible.

Fayette B. Shaw

The years 1837, 1857, 1873, 1893, 1907, 1920, 1929, 1937 are years of crisis in America followed by depressions (except the money panic of 1907), and the timing could be right for another, yet we are assured that we are to have only a mild tapering off, with 1954 only a little less good than 1953. Perhaps it is true that we really are in a situation so changed that we can control the economy and end the boom-and-bust cycles. But aside from the fact that the government looms larger in the affairs of American business life than in the past, there seem to be no significant fundamental changes that would justify the hope that the business cycle can be better controlled than in the past. As long as the banking system functions as it does, and the decisions of business men, thousands, hundreds of thousands, and millions, big, little, and medium, determine the output of goods and services, there is room for these wide swings in business activity.

Danger to the Eisenhower Administration

One unhappy aspect of this problem of attitude is that the Republican Party, the Eisenhower Administration, seems to be in danger of placing the Administration in a perfect position to be labelled once again the party of depression. Officials are practically promising that there will be no depression. It will be wonderful if that promise can be kept; they will be glorious victors. But business cycles roll on with small regard to the political party in power at the time, and while political policies can influence the cycles, they cannot seem to eliminate them. If then, in spite of the good intentions in Washington, the conditions of 1937-38 or 1920-21 reappear, their promises will be a hollow mockery, and Mr. Eisenhower will receive the treatment Mr. Hoover received—an unjust climax to 20 years of Democratic policies. If the Republicans were as skillful as the Democrats (which is doubtful), they could lay the blame for deterioration squarely on the Democrats, because of the policies of the New Deal and the Fair Deal. Instead the G. O. P. seems to be willingly shouldering the responsibility for depression (if it comes) and are letting the Democrats mock them already with taunts of what are you going to do about it?

For example, in a hearing before a Congressional committee recently, Democrats opposed the tax recommendations of the Administration for favoring business rather than individuals, stating that already it was over-investment that was at the root of the situation. The Republicans let that pass without a murmur, yet it was about four years ago that President Truman thundered that if the steel industry did not expand to meet the needs of the nation, his government would undertake that project. So the steel industry as well as others adopted an expansion program and now, along with others, is being chided for that effort. Where were Republican strategists who let that opportunity pass?

"OBSERVATIONS"

A. Wilfred May's Column does not appear this week. Mr. May is on a trip through Europe and the Middle East investigating Cold War results in the economic area.

The change in business conditions which set in the third quarter of 1953 has provoked much discussion as to the amplitude and duration of the slackness of activity. The public utterances of political and business leaders have been conservative and moderately optimistic, minimizing the danger of a serious decline and indeed verging on complacency. It is the contention of the writer that, while we may hope that conditions will not be severe, there is no ground for complacency, and that there is more danger in being unduly confident than in talking ourselves into depression. This then is not so much a prediction of dire things to happen as a warning that this is no time to ignore the lessons of history and the implications of the business cycle.

Postwar Depression Patterns

After major wars, we have had a pattern which has been the same in outline, but not in details, timing, and amplitude. Following the close of war, there has been a period of inflationary activity, in which commodity prices rise notably. This is brought to an end by the primary postwar depression, which is likely to be sharp but short. Then follows a longer period of increasing activity, a period of prosperity which may last several years. This is brought to a close by the secondary postwar depression, which is of longer duration and greater severity than the primary. This series of events took place following the close of the Napoleonic Wars in 1815, the Civil War in 1865, and World War I in 1918. The timing following World War I was this: The Armistice was signed on Nov. 11, 1918. Thereafter commodity prices, especially of farm products, rose until the summer of 1920. Then a collapse occurred (this was really the beginning of the "farm problem"), and 1920 and 1921 were years of distress. Conditions improved in 1922, and in the following years business activity increased irregularly as the prosperity of the 1920's rose to its climax in 1929. The general price level was reasonably stable during this period, but speculative activity led to some hectic price increases, notably in the Florida land boom and in the stock market. This stock market boom distorted the picture considerably, giving rise to the belief that prosperity had come to stay, and that we would never have hard times again. Also many professed to believe that stock prices would never again be as low. Business indices started to decline in summer and fall of 1929, while the stock market rose to its greatest height on Sept. 3, and finally in October and November, the speculative boom in this market col-

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Who's Afraid of Gold and Why?

By REID TAYLOR
Chicago, Illinois

Asserting it is not the higher price of gold that is feared, but the uncertainty as to the real value of the dollar, Mr. Taylor deplores the complacency of Congress and the Administration regarding protection of the value of the dollar against inflationary erosion. Traces steps taken by Washington authorities to bury the evidence of a depreciating dollar, due to unsound monetary policies which accompany extravagance and corruption in government. Says $35 per ounce gold price is undermining the dollar, and is a hoax to confuse and mislead, and contends wiping out debts through worthless currency means bankruptcy. Denies a higher gold value of dollar would be inflationary.

"No, we have no intention of raising the price of gold."

"The price of gold will definitely not be raised."

"Any course other than holding firmly to the present gold price and value of the dollar should be banished from our thought."

"The price of gold will not be raised because that would be inflationary."

Such are statements emanating from Treasury officials, the Federal Reserve Board, and others in the financial field. It appears that they are determined to stop all discussion of this important question, as if apprehensive of some impending development contrary to their interests. The echo from the above is reiterated again and again in newspaper columns and editorials and in investment advisory services which presume to advise their clients far-sightedly. So that's that, and any thought of recognizing a higher price for gold is meant to be disposed of once and for all.

Reid Taylor

But why is the issue of a free gold market never mentioned by any of our public officials? Why are our bankers silent on this issue? Why has the International Monetary Fund opposed a free market for gold? And why have various monetary organizations fallen right in line?

Now the truth of the matter is that no one living can say what is the real price for gold in terms of our paper dollar because no one can say how much our dollar has fallen in value during the last 20 years as a result of the profligate administration of our affairs. No one ever will know until those in authority at Washington are faithful to their trust and out of common honesty allow a free market for gold to function and reveal the truth. Until this is done the doors will be wide open to further extravagance in government and further loss in the purchasing power of our dollar. It is not the higher price of gold that we need to fear. It is the uncertainty as to the real value of our dollar. It is the complacency with which we accept the fiction of a 59-cent dollar, or in other words a $35 price for gold. The longer the government continues to hold the gold as a useless hoard at Fort Knox and bury the evidence of a depreciating dollar the more uncertain will be the future value of our dollar and the higher will be the eventual price of gold in terms of the dollar.

It is regrettable that there is a disposition in Washington to consider other matters of more pressing importance than this protection of the purchasing power of the savings and the pensions and the insurance of the American citizen whose really vital interests have been forgotten for so long. What diabolical unseen hand guides us to spend billions to contain Communism abroad and thus pave the way for Communism to take over right here in our own country through the debauchery of our currency? The greatest bulwark against Communism in this country is the ability of the little fellow to earn, accumulate, and save for himself and for the protection of his family and succeeding generations. We are destroying that ability slowly and surely with a gradually eroding dollar. It has already robbed him of one-half his savings during the last ten years. Every buyer of a government bond knows this. Even now all evidence points to an acceleration of this trend toward a dollar of diminishing value. The cost of living has actually edged upwards during the last year in the face of declining commodity prices.

The Evidence of a Depreciating Dollar Buried at Fort Knox

Twenty years ago those in authority down at Washington turned this nation definitely away from the principles upon which it was founded, a government designed solely for the protection of our shores and for the maintenance of law and order and justice, and therefore one of frugality and integrity. They turned it away in a deliberate and misguided attempt to destroy that system of free enterprise which through lack of interference had given men the spark of ambition and built up the wealth of a nation. They saw in the miseries caused by a depression a chance to exploit the mistakes of a previous administration of government. They saw an opportunity to set themselves up as the champions of the common people in a way that would gradually give them more and more power over the lives of all citizens. This was the old European concept of government which our forefathers came over here to get away from, that those who managed to get on top were entitled to rule by law if it suited their purposes, if not, by mandate and a judiciary under their control.

True to form, and at the very outset, the keynote of such a philosophy of government was sounded in the repudiation of government promises. Principles were laid aside. To accomplish their purpose they must acquire and use the accumulated wealth of the nation, the people's own money, without those citizens being too conscious of what was going on. They must spend and spend and tax and tax to create an illusion of prosperity. This was to convince the great mass of voters that those in authority and the type of government they had brought into being should be retained indefinitely. The people would, because of their newfound ability to acquire the material things of life then say and believe, "We never had it so good." Augustus Caesar way back before the birth of Christ used similar methods. The people, then as now, lived on borrowed time with no thought of where it was leading them.

An unscrupulous tyrant of the Middle Ages, such as Henry the Eighth, would have stolen the money from his subjects openly by shaving the edges of the gold coins or by making a direct capital levy to satisfy his personal ambitions. Our so-called "modern money system," however, has made the process far more simple for those who rule but less obvious to the unwary public who are compelled by law to accept paper money of no intrinsic value. We might also add this "modern money system" has made the process far more simple for those who rule because the public are led to believe that money and gold are too complicated for them to even bother to try to understand.

So, what were the steps to be taken to carry out this plot against our existing order of society? You have read in a detective story what is done by the individual with a diseased mind who deliberately plans his so-called perfect crime? His first thought is naturally to bury all the evidence and devise some method to throw any sleuths off his trail. Drugging the victim might be a very necessary precaution.

Let us go back now, and trace the various steps taken by those in authority at Washington to bury the evidence of a depreciating dollar which is always the telltale evidence of unsound monetary policies accompanying extravagance and corruption in government. First, under the plea of "emergency" (note this drug was used repeatedly), the government went back on its promise to its citizens to pay gold on demand in exchange for paper money. This permitted the dollar's value to be undermined. It then forced those citizens under heavy penalty to give up what gold they might have in their possession. This was seizure without due process of law. Then it prohibited them from buying gold at any price whatsoever. This was a freedom which the French peasant, the Mexican peon, and even the Chinese coolie have never been denied. But those who plotted to overthrow the existing order in this country planned to leave no loop-holes. If the crime was to be perfectly carried out, in a rich and vigorous country like the United States, *all* the evidence must be destroyed. In this way, *all* opposition was to be eliminated, and the power of those who pulled the puppet strings would be complete.

So, the gold was buried at Fort Knox and with it all the evidence of a depreciating dollar. Then, and note this well, after all the gold in the country was thus corralled, the price was bid up arbitrarily to $35 an ounce and it was broadcast that the dollar was in this way devalued to 59% of its former value. This instance of bidding up the price of gold, the necessity of which has been questioned, is, of course, the reason why any suggestion of such high-handed action again, arouses alarm in the minds of so many people. The two situations, however, have no parallel in fact, as will be pointed out later. The important point to note here is that the gold of the country was all buried at Fort Knox and has been kept sterile ever since. It has not been allowed to function as it should, to serve as a warning to the American Citizen that his money is losing value. This was done deliberately, with the purpose of keeping the public in the dark over succeeding years as to the value of their money. All they can see now is what the arch money schemers want them to see—the appearance of prosperity all around them, built upon the precarious foundation of a fantastic government debt and the ever increasing supply of paper money based on those debts. Thus the doors are wide open to unlimited spending, unlimited inflation, and unlimited and continual devaluation of the dollar.

The $35 Gold Price Is Undermining Our Dollar and Is a Hoax to Confuse and Mislead

As pointed out previously, the case for a higher gold price 20 years ago has no parallel in the

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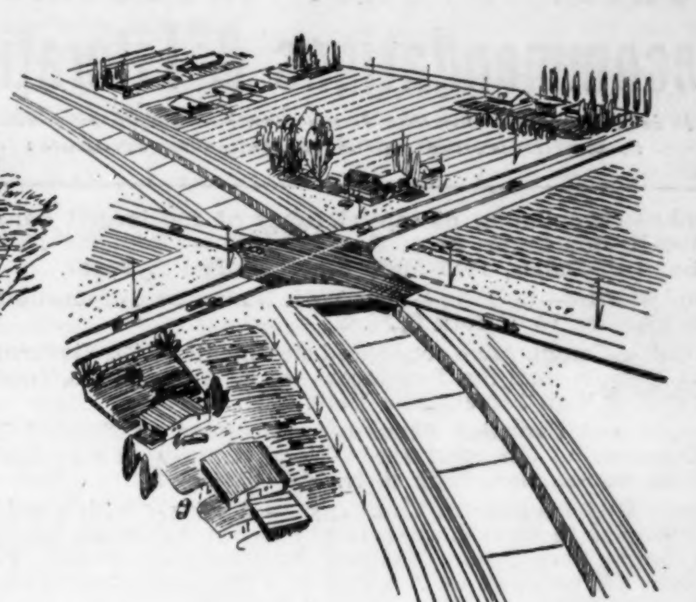
All of these bonds having been sold, this advertisement appears as a matter of record only.

NEW ISSUE



$40,000,000

Los Angeles County Flood Control District

Los Angeles County, California

2½% Bonds

Dated May 1, 1953 Due May 1, 1955-83, incl.

Principal and semi-annual interest (May 1 and November 1) payable at the office of the Treasurer of Los Angeles County in Los Angeles, California, or at any fiscal agency of Los Angeles County in New York, N. Y., or Chicago, Ill.. at the option of the holder. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the District upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

We believe that these bonds are legal investments in California for savings banks, subject to the legal limitations upon the amount of a bank's investment, and are likewise legal investments in California for trust funds and for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

These bonds, to be issued under the provisions of the Los Angeles County Flood Control Act, as amended, for various flood control purposes, in the opinion of counsel will constitute the legal and binding obligations of the Los Angeles County Flood Control District and will be payable, both principal and interest, from ad valorem assessment taxes which, under laws now in force, may be levied without limitation of rate or amount upon all of the taxable real property within said District.

The above bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

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(Accrued interest to be added)

Amount	Due	Yield or Price
$5,175,000	1955	.80%
1,250,000	1956	1.00%
1,250,000	1957	1.10%
1,250,000	1958	1.20%
1,250,000	1959	1.30%
1,250,000	1960	1.40%
1,250,000	1961	1.50%
1,250,000	1962	1.60%
1,250,000	1963	1.65%
1,250,000	1964	1.70%
1,250,000	1965	1.80%
1,250,000	1966	1.90%
1,250,000	1967	2.00%
1,250,000	1968	2.05%
1,250,000	1969	2.10%
1,250,000	1970	2.15%
1,250,000	1971	2.20%
1,250,000	1972	2.25%
1,250,000	1973	2.30%
1,250,000	1974	2.35%
1,250,000	1975	2.40%
1,250,000	1976	2.45%
1,250,000	1977	100
1,250,000	1978	100
1,250,000	1979	2.55%
1,250,000	1980	2.60%
1,250,000	1981	2.65%
1,250,000	1982	2.70%
1,075,000	1983	2.70%

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March 24, 1954

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks—Compilation of capital funds of 100 largest banks in the United States as of Dec. 31, 1953 — Republic National Bank of Dallas, 1315 Main Street, Dallas 2, Texas.

Bond Market—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Canada—Comparative condensed statements of the Government of Canada and the Provinces—A. E. Ames & Co. Incorporated, 2 Wall Street, New York 5, N. Y.

Canada and Canadian Provinces—Brochure on Funded Debts Outstanding January, 1954—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Closed End Investment Company — Analysis with particular reference to **Atlas Corporation, General American Investors, Lehman Corporation, National Aviation Corporation, Petroleum Corporation of America** and **Transamerica**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of the **Oil Industry.**

Favorite Fifty—Survey of common stocks most popular with investment company management — Vickers Brothers, 52 Wall Street, New York 5, N. Y.

Graphic Stocks — March issue containing over 1001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock on New York and American Stock Exchanges for 12 years to March 1, 1954; includes up-to-date earnings reports and 14 new charts —single copy, $10; yearly (6 revised issues), $50—F. W. Stephens, 15 William Street, New York 5, N. Y.

How to Get Leads for Your Sales Force — 24-page booklet on promotional work for security dealers—$1.50 per copy—Mailograph Company, Inc., Mr. A. Kates, Pres., 39 Water Street, New York 4, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Stocks—100 companies most widely held by foreign investors—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Municipal Market — Discussion — Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Natural Gas—Review—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the **Electric Wire and Cable Industry and Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

Under Priced Stocks—Current suggestions—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

U. S. Sugar Consumption and Population 1853-1953—Chart—Lamborn & Company, Inc., 99 Wall Street, New York 5, New York.

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American Cyanamid—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are brief reviews of **Montgomery Ward** and **Pennroad Corp.**

Atlantic Coast Line Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Bell & Gossett Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Burton Manufacturing Co.** and **American Marietta Co.**

Bymart-Tintair, Inc.—Data—Lewis & Stoehr, Inc., 80 Broad Street, New York 4, N. Y.

Central Indiana Gas Co.—Analysis—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Colorado Fuel & Iron—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Minnesota Power & Light.**

Elgin National Watch Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **International Minerals & Chemicals.**

General Dynamics—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also in the same bulletin is data on **Consolidated Vultee.**

Hewitt-Robins, Inc.—Memorandum—Walston & Co., 35 Wall Street, New York 5, N. Y.

Hilton Hotels Corporation—Analysis—Cruttenden & Co., 209 S. La Salle St., Chicago 4, Ill.

Homestake Mining Company—Review—$2.00—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y. Also available at $2.00 is a report on **Uranium** and on **St. Louis-San Francisco Railway.**

Hydraulic Press Brick Company—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Jefferson Standard Life Insurance Co. — Memorandum — R. S. Dickson & Co., Wilder Building, Charlotte 1, N. C.

Lakeside Laboratories, Inc.—Analysis in current issue of "Business & Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **National Tool Company.**

Liggett & Myers—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Schering Corp., Thompson Products,** and **U. S. Rubber Co.**

Merritt Chapman & Scott Corp.—1953 annual report—Merritt-Chapman & Scott Corp., 260 Madison Avenue, New York 16, N. Y.

Metal & Thermit Corporation—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Micromatic Hone Corporation — Bulletin — DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Erie Forge & Steel Corporation.**

National Union Fire Insurance Company — Table of related prices—The First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is a tabulation of U. S. Government portfolio distribution of New York City Banks.

Newport Steel Corporation—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Niagara Alkali Company — Bulletin — Terry & Company, 44 Wall Street, New York 5, N. Y.

Progas of Canada—Circular—Burnham & Company, 115 Broad Street, New York 5, N. Y.

Radio Corporation of America — 1953 annual report — Radio Corporation of America, 30 Rockefeller Plaza, New York 20, N. Y.

Reading Tube Corporation—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a circular on **Foote-Burt Company.**

Riverside Cement Company—Analysis—Ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Royal Dutch—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Southeastern Public Service Company — Report — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Southwestern Public Service Co.—Analysis—Kerr & Company, 140 Cedar Street, New York 6, N. Y.

Standard Packaging Corporation—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Tennessee Corp.—Report—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif. Also available are reports on **Filtrol Corp.** and **Interchemical Corp.**

Title Guarantee & Trust Company—Circular—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Westinghouse Air Brake Company—Analysis—Ferris & Company, Washington Building, Washington 5, D. C.

With Gottron, Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph W. McCormick is now with Gottron, Russell & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

With Byron Brooke Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Edward Harman Lindsey is now affiliated with Byron Brooke & Co., Citizens & Southern Building. He was formerly with Clement A. Evans & Co., Inc. and J. H. Hilsman & Co.

In Investment Business

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Samuel S. Davidson is engaging in a securities business from offices at 3342 Cortland Avenue under the firm name of C. N. Davidson & Company.

Bala Williams Opens

WICHITA FALLS, Texas—Bala Williams, Jr. has formed Bala Williams & Company to engage in the securities business.

COMING EVENTS

In Investment Field

Mar. 31, 1954 (Boston, Mass.)
Boston Investment Club meeting at the Boston Yacht Club on Rowes Wharf.

Mar. 31-April 1, 1954 (Chicago, Ill.)
Central States Group Investment Bankers Association of America, 18th annual conference at the Drake.

Apr. 12-16, 1954 (Philadelphia, Pa.)
Institute of Investment Banking second annual session at the University of Pennsylvania (sponsored by the Investment Bankers Association of America and the Wharton School of Finance and Commerce.

Apr. 29, 1954 (New York City)
Association of Customers Brokers anniversary dinner at the Hotel Roosevelt.

Apr. 29-30, 1954 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

May 7, 1954 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

May 9-11, 1954 (Dallas, Tex.)
Texas Group Investment Bankers Association 19th Annual Meeting.

May 12-14, 1954 (Boston, Mass.)
Board of Governors of Association of Stock Exchange Firms meeting.

May 14, 1954 (Baltimore, Md.)
Baltimore Security Traders Association 19th annual summer outing at the Country Club of Maryland.

May 16-20, 1954 (Chicago, Ill.)
National Federation of Financial Analysts Societies Convention at the Palmer House.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

June 11, 1954 (New York City)
Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

June 16-17, 1954 (Minneapolis, Minn.)
Twin City Bond Club annual picnic cocktail party, Hotel Nicollet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis, Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

From Washington Ahead of the News

By CARLISLE BARGERON

A lot has been spoken and written about the recent acquisition by the Washington "Post" of the Washington "Times-Herald"; the usual stuff that accompanies the passage of a metropolitan newspaper, how expensive they are to operate, the plight of the employes, etc. In this instance the impact upon the contentious American political scene is likely to be profound. To the Middle Western conservative, the loss of Col. Robert R. McCormick's journalism in the nation's Capital leaves him under the circumstances, practically without a voice in national affairs. It is a loss as keen as the recent death of Senator Taft.

Carlisle Bargeron

You must understand the Washington newspaper scene to realize this. The Washington newspapers are the ones that members of Congress, members of the government, read primarily. They get these papers at breakfast over their coffee cups, at lunch as they grab sandwiches and milk on the fly, at night at dinner. Relatively few get the New York papers and those that do, read them secondarily, maybe a quick glance at the editorials. For the members of Congress their home town papers arrive two or three days late and are only cursorily read. In short, the papers Washington lives with are, naturally, the Washington papers. Syndicated political columnists are lost without being in one of them.

In this frame, just about one of the most influential positions any man in this country can occupy is that of being publisher of the Washington "Post." The publisher has not always been influential. In the case of the late Edward B. McLean the medium was there but there was no ability behind it. The "Post" is a morning newspaper and the one in a position to make an impression upon the reader when he gets out of bed. The afternoon newspapers with their several editions, in the nature of things, have a watered down impact.

Since Eugene Meyer took over the "Post" in the early 30's, it has had plenty of ability and plenty of aggressiveness. Because of this ability and aggressiveness and its position with respect to the leaders of our national government, it has made a tremendous mark upon national policy.

Its influence, however, has been softened in the past by morning competition, first by the late Cissie Patterson and upon her death, by Col. McCormick. There were brief interludes when the members of the staff published the "Times-Herald" after Cissie's death, to be followed by the Colonel's niece, Baizie Tankersley. But throughout it was a militant conservative opposition to the ultra liberalism of the "Post" and it made a decided cut in the sway of the "Post."

What has now happened is that the "Post" has complete sway. A Midwest conservative member of Congress will likely never see his name in print except in a critical way unless he follows the "Post's" party line. Not only will he not see it in Washington, he won't see it on the Eastern Seaboard. The "Evening Star" tries to print all the "news"; indeed, it is looked upon as the only NEWSpaper in town. But it doesn't go in much for controversy; it doesn't worry about being influential. It just goes along year after year as one of the leading money makers in American newspaperdom.

The "Times-Herald," aside from its editorial support, has served as an outlet for Midwest conservatives and their school of thought generally. Now, except for their home-town newspapers, their only vehicle of expression will be the Congressional Record. They will become discouraged as a matter of course. It will be like shouting your lungs out in an empty hall.

When Col. McCormick came to Washington he said that he had long wanted to bring the Capital to America, now he intended to bring America to the Capital. He didn't do it for long. He is getting along in years, of course, and is in poor health. The burden was too much. But there has come that separation, in my opinion, between America and the Capital, and it is a very serious thing.

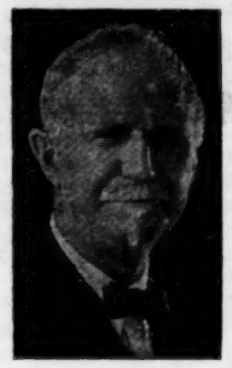
It is estimated that it has cost Mr. Meyer a good $20 million to arrive at his present eminence—the building up of the "Post," reputedly $8,500,000 for the privilege of folding the "Times-Herald," and he also owns a radio and TV station. But as one of the country's tenth or twelfth wealthiest men he can well afford it in his declining years, and you get the impression that his family is having a whale of a good time.

Unemployment Figures

By ROGER W. BABSON

Calling Federal unemployment statistics unreliable and misleading, Mr. Babson sees in them the influence of a political slant. Urges use of per capita figures in reporting unemployment and a break-down according to individual states.

I urge readers not to take too seriously the Federal unemployment figures which are released the second week of each month. Until they are issued on a per-capita basis and properly adjusted, I believe them to be unreliable and misleading.



Roger W. Babson

There are 63,000,000 employees (other than farmers) in these United States. Of these, only very few employees are interviewed. There are over 45,000,000 families in the United States. Of these, only 25,000 families are interviewed. Thus, it will be seen that to give out a figure of "3,385,000" is really ludicrous. It surely would be more logical to say about "3,400,000," and call it a "rough estimate."

The figures never show the real situation. When families are interviewed they report not only those who have been laid off, but many who are ill, or working at home, or perhaps too lazy to work. Recently, to help the Republicans get the farm vote, the coverage has been increased from 123 counties to 450 counties. This greatly increases the percentage of farm families included in the count. I forecast such figures will be found very unreliable as regards the status of those helpers who live on the farm, whether or not a salary is being paid them.

Politics Creep in Badly

When I was Director of Information and Education of the Labor Administration, I tried to overcome the political slant. For instance, during the Truman Administration, the Republican families were constantly expecting a business collapse. Hence, they gave the interviewer a pessimistic report pretending business was bad; while Democratic homes gave good reports. Now the conditions are opposite. The Democratic homes are talking grief.

Another feature to be considered is that some states have a greater percentage of itinerant workers. Under present laws in many states, if persons on the labor force are employed for one or two quarters within a certain 12-month period, then the person is entitled to unemployment insurance of from $20 to $30 per week, even though the person is not a resident of the state and perhaps has even left the state altogether. Your state's reported unemployment should really be adjusted in accordance with this unreasonable and nonconforming legislation. Any reader can get a free copy of what each of the 48 states is rolling up for Federal Unemployment Benefits by writing to the Bureau of Employment Security, Division of Reports, Department of Labor, Washington, D. C. **Before leaving your present state to seek a job somewhere else, you should carefully read this Report by states.**

What Latest Figures Show

The reported unemployment of the entire United States on Feb. 13, 1954, was 3,385,000 by the Standard Method, 3,671,000 by the new "CIO" Method. These both are based on a total population of about 161,350,000, but this population is increasing about 250,000 a month. This means that the unemployed, figured on a labor force of 63,000,000, is, on a per-capita basis, only 2% of the entire population. This campares with about 10% unemployed in 1932. I severely criticize any of the Labor Department or Commerce Department (who are the remains of a Democratic Bureaucracy) for refusing to use the per capita figures. They are not only ignoring the growth of the country, but may also be changing the method of compiling the figures, to please the CIO crowd. This is like changing the rules of a game in the midst of a game. Furthermore, the increase reported under these new rules is largely based on the reported "unemployed" on a few farms, which is a very debatable figure.

Regarding your own state — neither of the above figures for present total United States unemployment (the standard figure of 3,385,000, nor the CIO figure of 3,671,000) can be broken down by states. Both are too much of a guess. Moreover, of the present United States population of 161,350,000 about 12% are over 60 years of age and 5% are over 70 years of age. These figures differ greatly with different states. For this distribution of the age group, the Labor Department makes no adjustment. It thus will be seen that the whole business is guess work and should be corrected or suppressed. However, an unemployment of only 2% is nothing to worry about. Such a small percentage should give confidence and optimism for the 1954 outlook.

Boston Investm't Club To Hear Harold Young

BOSTON, Mass.—Harold Young, national recognized expert in public utilities will address the Boston Investment Club on Wednesday, March 31. The meeting will commence as usual at 5 p.m. at the Boston Yacht Club on Rowes Wharf.

Joins Hanauer on Coast

BEVERLY HILLS, Calif.—William L. Fieldman has joined J. B. Hanauer & Co., 140 South Beverly Drive. Mr. Fieldman was formerly with Dreyfus & Co. in New York City and prior thereto was with J. B. Hanauer & Co. of Newark.

Baruch Bros. & Co. Opens in New York

Baruch Brothers and Co., Inc., specializing in investment securities, investment trust shares, and underwriting in proven companies and listed and unlisted securities, has opened offices at 44 Wall Street, it is announced.

Sailing P. Baruch is President of the investment house, Louis J. Nettune, Secretary, and Leon Weill, Treasurer. The firm was registered March 19.

Mr. Baruch has been in the investment business since 1924 and was formerly with S. W. Baruch and Henry Hentz & Co.

Amos Treat is Manager of the Sales Dept.

Colo. Fuel & Iron Secondary Offering

Allen & Co. is making today (March 25) a secondary offering of 115,000 shares of The Colorado Fuel & Iron Corp. 5½% cumulative preferred stock, $50 par value, series B, at $42.50 per share, to yield 6.47%.

With Greene and Ladd

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Thomas J. Laufersweiler has become affiliated with Greene and Ladd, Third National Building, members of the New York Stock Exchange.

Continued from first page

The Tax on Dividends

lie deep in our economic and political history. In the early days the owners of corporations were a small minority of the people, and they were usually wealthy. Many of the men who controlled the corporations were conscienceless pirates; and financial skullduggery, abuse of workers, and corruption of government were widespread.

All this is a thing of the past. Nearly all the men who control corporations today are men of integrity and social conscience, and regulation restrains those who are not. But in the public mind corporations are still greedy monopolies feeding off the public. Organized labor conducts a national propaganda against corporations. Political demagogues ride into office by slandering the corporations and once in office they keep their jobs by legislation against them.

Why Corporations Are Discriminated Against

There has been opposition to unfair taxation of the owners of corporations. Economists and financial experts have for years pointed out that the excessive taxation will injure investment, production, and national income. But Congressmen do not listen to such as these. There are now more than 6,000,000 stockholders in the country. They are unorganized and voiceless. About half of them are women, and most of them are elderly. These six million stockholders are helpless. Thousands of years of history show that when taxes are extortionate they are evaded, that men unfairly taxed in one occupation go into other lines. Not so for corporations. They cannot go out of business without total loss. They are the helpless victims of whatever extortion Congress may concoct.

In these facts you find the explanation of a taxation of stockholders which has nearly reached the point of complete confiscation, a discrimination against one group of citizens which would not be tolerated by any other group. Under the present system net earnings are taxed 52%. This leaves 48%, less than half. Out of this the corporation must set aside a large part for future expansion and as a reserve against bad years. The rest, perhaps 20 or 30% of total earnings, go to the stockholders as dividends. At this point the Federal government steps in and taxes the dividends, as personal income, from 20 to 90%. This is frequently called "the double taxation of dividends." Economically this is correct. Legally it would be simpler to call it "the double taxation of corporation earnings."

Such a system of double taxation was unknown in earlier times. In England they taxed corporate earnings. Then they gave back to the individual taxpayer the amount his corporate earnings had paid. Believe it or not, in a few cases of people of very small incomes the taxpayer got back from the government more than his total individual tax. The Socialist Government changed this. They installed the double taxation system.

In this country dividends used to be exempt from individual taxes so far as the normal rates applied. Surtax rates were imposed on dividends. In the first years of the Roosevelt Administration, in the midst of a chaos of insane legislation, dividends were made taxable as all other personal income.

It should be said that not all our Congressmen are economically ignorant. The majority are aware of the economic unsoundness and the injustice of confiscatory taxation of corporate earnings. And not all of them are political cowards who vote solely with a view to the next election. This year the House Committee on Ways and Means faced the issue. Apparently they were impressed by the action of the Canadian Government in giving to income taxpayers a credit of 20% of their dividend income. Our Committee brought in a proposal for a smaller credit.

The Proposed Cut in Dividend Taxation

If the reader dislikes technicalities he had best stop right here. The Committee proposal really belongs in the cross-word puzzle section. The Committee report explaining the proposal is a wonderful example of the art of using language to conceal thoughts.

The 52% tax on corporation earnings is to continue, at least for the present. Dividends are still to be taxed as personal income, but at greatly reduced rates. The reduction is to take two forms, and in both forms the reduction is to be granted in broken doses. Dividends received in the last five months of 1954 and the first seven months of 1955, to the amount of $50, will not be counted as income at all. In the case of a married couple making a joint return, if "each is a dividend recipient," $100 is to be excluded from income. After Aug. 1, 1955, the exclusion will be $100 for single persons, $200 for married couples.

The second provision is more important. For the last five months of 1954 and the first seven months of 1955 the taxpayer subtracts from his total dividends the amount excluded, either $50 or $100. He takes 5% of the amount remaining, and this amount is credited against his income tax. After July 31, 1955, the taxpayer substracts his $100 (or $200) from his dividend income and receives 10% of the remainder as a credit against his total tax.

These are the basic provisions of the proposal. But they are hedged about by additional provisions. The first one is that in no case will the credit of 5% or 10% be more than 5 or 10% of the **total taxable income.** This is an important provision. A minority of taxpayers receive all or nearly all of their incomes in dividends. In the absence of this special provision such taxpayers would receive not only the exclusion and the credit granted by the law but also the regular exemptions and deductions granted to all taxpayers, all of the four against dividend income. Other taxpayers, with income from other sources than dividends, would not receive such advantages.

The final provision, intended to reduce the confusion created by the measure, provides that the credit is limited to 2% in 1954 and 7% in 1955. After that the 10% limit will apply.

This is a fearful thing to inflict on the already bewildered taxpayer. It would have been easy to set up a simple system which would give the same excellent results without giving the taxpayer nervous prostration.

The Workings of the Proposed Tax Changes

There are great variations in America in total income, in sources of income, and in exemptions and deductions. It is impossible to work out any table which will illustrate the operation of the program for more than a segment of the income taxpayers. The greatest reductions in taxes will go to the groups which receive all or nearly all their income in dividends. Many elderly persons are in these groups. The table following shows the final operation of the plan, in 1956, for the group whose incomes are wholly dividends. It is assumed that it is a joint return, that the exemptions are $1,200 (no dependents of the couple), and that the deductions are 10% of income.

Total Income	Present Tax	New Tax	Saving	Percent
$2,000	$120	$42.00	$78.00	65%
4,000	480	222.00	258.00	54
6,000	844	402.40	441.60	52
10,000	1,636	834.20	801.80	48
15,000	2,810	1,544.00	1,266.00	45
25,000	5,774	3,593.20	2,183.80	38
50,000	16,528	12,085.20	4,442.80	27

In the case of most taxpayers dividends are only part of the total income, generally a small part. In the table below it is assumed that one-quarter of the income is from dividends. Deductions and exemptions are the same as for the first table.

Total Income	Div. Income	Present Tax	New Tax	Savings	Percent
$4,000	$1,000	$480	$344	$136	28%
8,000	2,000	1,240	996	244	20
16,000	4,000	3,080	2,620	460	15
40,000	10,000	11,800	10,700	1,100	9
60,000	15,000	21,976	20,352	1,224	6

Inspection of the two tables discloses some interesting facts. The reductions are much larger, percentagewise, for the man of small income. They are much larger for the man whose income is chiefly from dividends. The measure definitely favors the elderly widow with a small block of stock as her chief resource.

But the plan gives a substantial tax reduction to all stockholders, rich or poor. This obviously raises a vital question. Stockholders as a class are fairly well-to-do. Dividends are "unearned." Is it proper for Congress to pass a law which makes a material cash present to stockholders? Already the demagogues are howling. One of the three Democrats selected to reply to President Eisenhower's defense of the bill gave a most distressing display of ignorance of economics, of arithmetic, and of the bill. But he was, for that very reason, very effective politically. The President's defense of the bill was labored, clumsy, and ineffective, but entirely truthful and sincere. The President badly needs some assistant who can present economic issues simply and forcefully.

The Effects of Tax Reduction

It should be conceded at the start that this tax reduction does make a fairly handsome gift to some wealthy people. Ever since the first days of Roosevelt stockholders have been the victims of extortion. They have been cruelly exploited. Taxes on corporations and on personal incomes have risen year after year, without regard to private justice or public welfare. A reduction in this burden is in every way justified. It is true that the original victims have in most cases disappeared, by death or sale of stocks. It is true that recent purchasers have bought the stocks at prices adjusted to the present rates of taxation. But for most stockholders the reductions will merely pay back a part of the sums unfairly taken in the past.

But this matter should not be considered on the basis of personal gain. The present rates of taxation of corporate earnings are bad for the country, bad for everybody. In an ideal system of Federal taxation there would be no taxation of corporation earnings. There would be only a tax on personal incomes, adjusted to some fair scale. But such a system is impossible. The tax on corporations is now imbedded in our fiscal system. The only practicable plan is to reduce the present personal tax on dividends. This the House Committee proposed, with sense, courage, and patriotism.

If it is passed, the measure will have a profound economic effect. It will make stock investment more attractive. Stockholders will still be unfairly overtaxed, but much less so. A $3,000 stockholding paying $200 in dividends will still be paying probably about $400 tax on the company's earnings, but there will be no tax at all on the dividends. This little plan to reduce the tax on dividends should very greatly increase the number of stockholders, now about 6,500,000. Every new stockholder means another supporter of free enterprise. I wonder how many Senators know that a vote for the bill is a vote against Communism. And I regretfully admit that I wonder how many care, so long as a vote against the bill will help next November.

G. Keith Funston Will Be Interview Guest

George Keith Funston, President of the New York Stock Exchange, will be guest on Theodore Granik's "YOUTH Wants to Know" program Sunday, April 4 (NBC-TV and WNBC Radio, 1-1:30 p. m., EST; on Monday, April 5, NBC Radio Network except WNBC, 10:30-11 p. m., EST).

G. Keith Funston

Mr. Funston, who was named President of Trinity College, Hartford, Conn., in 1944, at the age of 33, will be questioned by a selected group of students of the college. The program will originate in the New York studios of NBC.

Born in Waterloo, Iowa, in 1910, Mr. Funston was graduated from Trinity College in 1932 with an A. B. degree with honors and was class valedictorian. He graduated cum laude from Harvard School of Business Administration in 1934, starting his career in 1935 as assistant to the Vice-President of the American Radiator and Standard Sanitary Corp.

In 1940 he joined Sylvania Electric Products, and later became director of purchases. He served as special assistant in the War Production Board from 1941 to 1944. He was a commander in the Navy.

CORRECTION

In the "Financial Chronicle" of March 18 in report that Robert J. Riley had become associated with Loewi & Co. of Milwaukee, in the text it was indicated that he had joined the Milwaukee Company. Mr. Riley is now with Loewi & Co., 225 East Mason Street, members of the Midwest Stock Exchange.

Let's Get Government Out of Business

By T. F. PATTON*
Assistant President and First Vice-President
Republic Steel Corporation

After discussing the variety, breadth and scope of government business ventures, prominent steel executive lists as means for getting government out of business: (1) stop putting the government into more business; (2) get an accurate inventory of what the government owns in business projects and in goods; (3) begin to liquidate these properties; and (4) huge properties which cannot be disposed of, should be made competitive with private business. Says another compelling reason for getting government out of competition with private industry is the impending application of atomic energy to civilian uses. Sees hope in Administration's new policy toward business.

The free enterprise system is the American system. It has encouraged individual initiative. It has stimulated thrift and perseverance. It has released our mental and physical energies. It has made us a vigorous and courageous people and brought us an unparalleled standard of living. Under it the United States grew from a few struggling settlements on the shore of the continental wilderness into the most powerful and most prosperous of modern nations.

T. F. Patton

Our Founding Fathers, well versed in the governments of other lands, knew what they were doing when they included free enterprise among our basic freedoms. They believed in this principle so thoroughly that British interference with free American enterprise was one of the underlying causes of the Revolution. Above all the Founding Fathers knew the history of their country and were familiar with the experience of the Plymouth Colony.

Most of us know the Pilgrims suffered terrible hardships in their first two grim years at Plymouth. Starvation came near defeating those brave men and women. Many of them died. But not many of us know the reason back of their tragic difficulties. The story is told by Governor William Bradford in his "History of the Plymouth Plantation."

The Pilgrims early injected government into business. The Colony owned all the land, controlled the planting, the harvesting and division of the crops. This community enterprise—or communistic enterprise, if you will—failed to produce enough food to last from one harvest to the next. Though there was rationing everybody went hungry.

Strong men, Governor Bradford reports, claimed to be too ill to work. Young men balked at helping support the families of the married men. Women protested at having to cook and wash for men other than their husbands. Men stole the ripening grain and were severely whipped. But they were hungry and stole again in spite of the stern punishment.

Finally in 1623 the chief men of the Colony decided that a mistake had been made. As Bradford expressed it, they had tried to be wiser than God. So they reversed themselves. The land was distributed. Private initiative, free enterprise, was restored. Now men and women, "in business" for themselves, hastened to the fields to plant crops. No effort was too great, no hours too long.

That fall an abundant crop was harvested and to this day famine has been a stranger in America. On that first Thanksgiving Day the Pilgrims gave thanks to God.

For 310 years we heeded the lesson taught by Plymouth Colony. As a result, first the colonies and then the United States grew and prospered. For more than three centuries government took care of government and left business to business. This country wanted no part of Big Government. The maxim that the government which governs least is the best government had wide acceptance. Americans believed government should do only those things which private citizens could not do for themselves.

The "New Deal" Change

Then came the New Deal—and what a change.

The reformers, the do-gooders, the Socialists, the Communists flocked into Washington from the ivory towers, the colleges, the labor unions, and the Communist underground. Some—let's be charitable—meant well, some were confused, but others were sinister conspirators. The moral courage of many in government—both in Congress and the Executive Branch—had been weakened by the shock of the Depression. It was not too difficult for the leftists to incorporate their ideas into our government structure.

While Americans have been shocked by the success of Communists in insinuating themselves into the American Government, few realize how successful the so-called Liberals were in their efforts to socialize it along the lines laid down by Marx and Engels.

They were successful because they were smart enough to operate within the Constitution. They saw to it that parts of their programs were written into the platforms of the political parties. They presented their ideas to Congress and had them enacted into law. They insisted, and still insist, that they sought only to better the lot of the average worker, farmer and housewife. Doubtless some of them were good American citizens, a bit fuzzy-brained perhaps, but well-meaning. Others were not. They were more interested in a Marxist paradise than in the welfare of the American people. They talked of idealistic ends without discussing the practical problems and difficulties of attaining those ends.

For the Liberals, and they came from every section of the country, there was only on roadway to be followed: Take the problems out of the hands of the people and let Government supply the answers. They were strong for economic planning — Government economic planning—with Government regulations and controls—or perhaps another Federal Corporation was needed. They fought for Big Government, whose octopus tentacles would reach into every activity. And so Government went into business after business, usually into direct competition with private business. Government, under the leadership of Liberals, became more and more involved in the operation of productive facilities, a basic tenet of Marx and Engels.

Exactly how far this went we still don't know for sure. Many devices were used to throw a veil over the facts. There was, for instance, no proper accounting of the Federal Government's business adventures, nor an inventory of what the Government owns. Some of the figures that are available are unreliable. They are loaded with politics and intended more to confuse than to clarify. Does this make some of you accountants shudder? Just wait a bit until you hear more.

Take for example some of our multiple-purpose dams. The need for funds for flood and soil control, for navigation was often grossly exaggerated while the money used to build power plants was frequently grossly minimized. Usually no interest was charged on the sums invested during construction, and these, as you know, can be large. Overhead on projects was charged to a Federal Bureau or Department. These were typical devices to hide the true cost of an undertaking.

Moreover, few of the Government industrial-type businesses gave us profit and loss records so even today we know little about their operating costs through the years.

Ascertaining Extent of Government in Business

Two public and various private attempts have been made to uncover the extent of the Government's business enterprises. The first public attempt was made by the first Commission for the Organization of the Executive Branch of the Government—the Hoover Commission. The second was made by the House Committee on Government Operations. These investigations were possible only because they had the support of farsighted, patriotic southern statesmen. The latest private attempt was by the Council of State Chambers of Commerce, which made its report in December, 1953. None of these brought conclusive facts.

The Hoover Commission in four reports to Congress in 1949 gave data on 100 "important" business enterprises owned wholly or in part by the Government. Its survey did not cover such projects as synthetic rubber plants or the atomic energy program. It placed Government investment in the 100 "important" corporations at $20 billion of tax money, yours and mine with commitments of an additional $14 billion.

The House Committee's hearings revealed the wide scope of Federal business ventures, but so far no report has been made.

The Council of the Chambers of Commerce reported that the net book value of the Government's investment in "business-type enterprises" was in excess of $30 billion. But there were no figures available for many, many important projects such as ship yards, food processing plants, clothing factories, printing plants and retail stores, so these could not be included. Does this lack of obvious accounting knowledge shock you? It was all financed with your money, you know.

To show the immensity of the Government's business investment, the Council pointed out that the $30 billion would equal the total stockholders' equity in twenty-nine of the largest American corporations—the two biggest in each of fourteen major industries, plus the American Telephone and Telegraph Company.

The Council noted that these twenty-nine privately-owned corporations in 1952 paid the Federal Government nearly $5 billion in taxes, apart from excise taxes, and paid their stockholders dividends of only slightly more than $2 billion on which the stockholders paid a second tax. The balance of the net earnings, $3⅓ billion, was plowed back into industry, producing better products, more jobs and still more taxes.

Just to show how little we actually know, other private estimates of the Government's total business investments run as high as $90 billion. People close to the Eisenhower Administration assert that Federal business projects of all sorts, when uncovered, will exceed 2,100 in number—a substantial part of the American economy.

Variety and Scope of Government Business

It is not only the number of these businesses which is astonishing but the variety and scope of the business ventures are equally so. Besides those already mentioned, they include multi-lending businesses involving billions of dollars which are in competition with our banks; the manufacture, distribution and sale of electric power in competition with our public utilities; the sale of billions of dollars worth of life insurance; the smelting of different ores; the manufacture and sale of fertilizers and other chemical concerns; bus lines; ship lines; railroads; fish hatcheries; tree nurseries; sugar factories; the manufacture of sleeping bags, wooden boxes, ropes, false teeth, spectacles, and what not. There is scarcely a tax-paying business that does not face untaxed Government competition in one form or another. You must admit the Government is versatile.

How efficient are these varied and diversified government operations? I can't answer that question; nor can anyone else. We have no balance sheets on which to base judgment. But we do know that these projects were set up with Federal credit, that few of them pay taxes on income, that few, if any, are required to show a profit. Finally, we know for sure that the average Government operation as contrasted with private operation is inefficient and wasteful.

Just recently, for instance, Sinclair Weeks, Secretary of Commerce, cited two examples of this waste and inefficiency. He said he had learned that it cost the Government about $20 in paper work to purchase a $4.26 through Pullman seat from Washington to Boston. He added that in one Federal department 400 employees have 600 telephones. Maybe some of them are ambidexterous and use a phone in each hand.

How to Get Government Out of Business

But to return to our central theme.

What should be done with all this Government-owned industry?

I can answer that question—and with conviction.

The Government should get rid of it as quickly as possible.

That, however, will not be easy and will take time. I suggest the following program:

(1) We must first stop putting the Government into more business. The Government should do nothing that can be done equally well and equally cheaply by private citizens. Great progress of an entirely bi-partisan nature has been made in this direction. Democrats, many from the South, and Republicans have banded together to accomplish this end.

(2) Secondly, we must get an

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*An address by Mr. Patton before the National Association of Cost Accountants, Birmingham, Ala., March 17, 1954.

Mass Production Calls for Ever Increasing Consumption

By NORMAN C. OWEN*
Vice-President and Director
Webster-Chicago Corporation

Asserting the way for American industry to achieve balanced production is not to control output, but to step up consumption, Mr. Owen stresses need of a constant selling campaign to increase wants and desires of consumers, and in this way make people raise their living standards as high as their purchasing power. Says, in our expanding economy, everything a company does should be geared to objective of selling its products to the consumer. Concludes scheduling production is only part of broader process of creating demand.

Production is not an end in business planning, but a means. It is the means of providing the material required for the sales activities of the business that is the object of the business. Accordingly, everything that a company does must be geared toward the ultimate objective of selling the product to the ultimate user. Planning production is not primarily a matter of forecasting sales volumes, proportion of capacity to be utilized, lead time necessary in the purchase of materials and employment of production help. Balancing production from the standpoint of getting goods out is primarily a scorekeeping operation. It is logistics rather than tactics.

Norman C. Owen

In America's dynamic economy, the vital factor is stepping up consumption—*making people raise their standards of living as high as their purchasing power*, so that the normal increase in productive capacity can be absorbed profitably.

The dynamic approach to planning production is to start with the productive capacity of your plant and then to devise means for selling that capacity and perhaps a bit more.

This does not mean uncontrolled production regardless of markets. It means developing an attitude toward all of the elements that go into a sale that is keen enough, aggressive enough and sound enough to sell that entire capacity. It means making sure that the products are designed, packaged, advertised, promoted, publicized and sold to the full extent necessary to move that production. It means an attitude toward productive capacity that is so dynamic that scheduling the production is balanced with the creation of demand. Not with *demand*, mind you, but the *creation* of demand.

It is a mistake to base any production schedules on the theory that the market for any product has been saturated. *Any product whose sales cannot be increased is obsolete.* If we have a surplus of butter, it is because nobody has done a dynamic job of increasing demand for butter, finding new uses, and otherwise stepping up consumption. As high as our standard of living is, we have not reached the millennium in any industry where everyone in this country has all of anything he wants or can use.

So perhaps we should change the subject from "The Economics of Balanced Production" to "The Economics of Balanced Consumption" or "How to Keep Increasing Production Without Piling up Inventory."

Actually—there's no such thing as the Economics of Balanced Production—it must be the Economics of Balanced Consumption.

We have a giant tiger by the tail in this country—a tiger called mass production. The ability of this tiger to expand itself almost overnight is absolutely amazing. Not only are foreigners who come to this country constantly surprised to see the power behind our mass production techniques, our own people as well are often taken aback by its ability to create and expand.

Now, when mass production really goes into operation, it increases the supply of goods that it produces in geometric ratios. Like the lowly amoeba in a biology laboratory that divides first into two, then into four, then into eight and, unless controlled, spreads out into the laboratory, this giant of mass production has the ability to creep up on us overnight.

*An address by Mr. Owen before the Chicago Chapter, Society for the Advancement of Management, Chicago, Ill., Feb. 23, 1954.

Mass Production—A Giant to Be Controlled

Control of this giant is, of course, absolutely necessary. That is a job that you men are experts on —but what I'm talking to you about is the voracious appetite of the monster that must be fully and continuously satisfied. To maintain the continuity of this feeding process, it is absolutely necessary that the products that roll from the assembly lines of mass production be consumed at an equally rapid rate and not accumulated in inventories.

When consumption does slack off and inventories do build up, something strange happens to the entire business psychology, and all of a sudden it changes from boom to bust—but mass production can maintain unbroken activity if it is accompanied continuously by mass markets and mass distribution.

How then are we going to be able to attain this fine balance between consumption and production by reaching the mass markets through mass distribution?

Thank goodness we can sell anything to Americans and that's why we're a great thriving nation. That's why we have such a high standard of living! I can prove that Americans can be sold *anything*.

A New York State farm publication carried the following advertisement, placed by a university professor:

"Public demand forces us to release our revolutionary new garden product, ERUNAM. ERUNAM is not just an inert soil conditioner. ERUNAM is not only a miracle-type plant food. ERUNAM is everything! One heaping glob of our magic atomic substance will remake your garden. ERUNAM makes light soils heavy, heavy soils light, and steadfastly ignores medium soils. ERUNAM is a selective pesticide: it kills harmful weeds, bugs and diseases while fraternizing with the approved ones. Better yet, ERUNAM has the Good Wormkeeping Seal of Approval. ERUNAM contains decomposed chlorophyll; your garden will never smell the same. ERUNAM contains no nasty chemicals; it's purely organic. One pound of this concentrated product is equivalent to 16 ounces. Write for our trial garden-size bucket today. Remember — E R U N A M spelled backwards is MANURE."

Professor H. J. Carew of Cornell University, author of this parody on advertising, underestimated the credulity of the public. More than 40 trusting individuals from Massachusetts to Missouri seriously requested "trial garden-size buckets" of ERUNAM.

The American people can be sold, all right. And they *must* be sold new products, new designs, new ideas. Continued prosperity requires that we make everybody want a standard of living just as high as his purchasing power will allow.

When people buy everything they can pay for in cash or in instalments, production and employment are high. When they save more than a normal part of their income, production slows down and employment slumps. For prosperity, we must make them want and buy constantly increasing volumes of goods.

We Must Constantly Expand Markets

You in management—in every phase of management—must face the fact that business must produce new products, new designs and better goods, and must *sell them effectively* in order to maintain the growth necessary to keep our economy healthy by keeping the giant tiger's appetite satisfied.

For growth we must *make* people want new and unaccustomed items. We must sell people on always wanting a higher standard of living. Advertising and publicity must be intensified to sell the idea of new products.

Effective personal selling and demonstration must be used to get people to try the benefits of these new items. Americans have the highest standard of living in the world *because they've been sold*. Our biggest selling job, then, is to keep people raising their living standards to the level of their purchasing power.

I read Paul Mazur's new book, "The Standards We Raise," on a recent flight to San Francisco. He makes one point 20 times but differently and well: "Consumption, not production, and purchases, not purchasing power, are the keys to a prosperous future." "Consume your way to prosperity" and you will have a fine balance between production and consumption.

Good hard selling drives people to buy things they didn't think they wanted—and it raises the standard of living by increasing consumption.

People like old comfortable ruts. They don't want new products—but they do enjoy new experiences once they've tried them.

I'm sure all of us know people who just three or four years ago were saying: "I'll never have a television set in *my* house! No sir, it disrupts dinner, interferes with the kids' studying, brings poor programs into the home, stultifies conversation. No TV for me!" Sounds familiar, doesn't it? Well, how many of those people —maybe some of us here today— have *two* TV sets now, because the wife wanted to see Robert Montgomery while you had a date with an important fight?

These people had to be sold on trying a new experience. Now they consider it a standard part of their lives. Their living standards have been raised—because they were sold something they thought they didn't want.

Take a look at the Ford billboards: "Be a Two Ford Family." It makes sense to any of us who live in the suburbs. Your wife sees a neighbor get his wife an old car to go shopping in, then another neighbor gets a better car for his wife, and a third buys his wife a new car. How long is it before your wife wants a new car, too? Who can talk about saturation in the automobile industry when people are really going for the two-car idea? And after that? Why, three cars, of course — that teen-age son or daughter can drive around while you enjoy television or records instead of acting as a chauffeur.

New Desires Must Be Created

Create new desires—sell people on buying new products—make yesterday's luxuries today's necessities—and you'll raise the living standards of the public, create more jobs to increase production and enable more people to buy new things.

How do we sell them? People will buy up to the limit of their purchasing power if we sell them hard enough through printed and spoken words. Effective selling will make this consumption theory work. We at Webcor believe that all selling devices, including advertising, must be secondary to the spoken word of personal selling.

Everybody's business depends on mouth-to-ear selling.

We can talk and advertise and thereby *sell* our way to prosperity because we can sell Americans on consuming up to the limit of their purchasing power if we put our minds to it. Americans have money to buy. Savings are at an all-time record high. Industry has salted away $68 billion for new products and selling, including advertising.

Good hard selling as I've outlined will cause a marketing revolution in America as significant as the Industrial Revolution, which substituted machines for men. Now increased automation is freeing men from the machines. The Marketing Revolution will bring men back to a place of even greater individual importance— selling is rapidly becoming everybody's job — engineers', machine operators', bookkeepers', as well as salesmen's and make it necessary for every man to join in selling the merchandise that machines can produce.

By effective advertising, good demonstrations and good personal selling, we must make people want things they never knew existed — new magnetic recorders, new wonder fabrics, fabulous new electronic devices made possible by transistors, such as minute walkie talkies, controls in the home and so on. All these things will help to expand our economy by causing people to buy prosperity.

Jobs Depend on Sales

So the future brings the function of sales into sharp focus. Our jobs and the jobs of practically everyone are dependent on sales. The entire freedom of our economy from excessive government controls depends on sales.

The future challenges the management of every business enterprise to recognize that every business activity is merely a step toward the sale. All planning, all engineering, design and production—yes, and even investment— combine to create a commodity or service to be sold.

So long as American business makes enough sales to create enough jobs we'll be prosperous.

Take the dynamic approach when planning your production. Start with the productive capacity of your plant — then devise means of selling that capacity. The future looks wonderful if your attitude is right. Expect the best, convince others of the best, and we'll make sure we get the best for everyone.

Present Status of Commercial Financing

By HERBERT R. SILVERMAN*
Vice-President, James Talcott, Inc.
Chairman, National Commercial Finance Conference, Inc.

Finance Company executive, calling attention to the confusing condition of the money market, reviews present banking and credit situation, and states that, in view of the abundance of bank funds, interest rates on prime loans are still comparatively high. Says spread between prime rates and commercial rates is too large, and predicts prime rates would go lower as happened. Sees need of adequate business funds a challenge in 1954, and lists categories of various loans that are needed. Gives history of factoring and reveals operations of commercial finance companies.

In appraising the outlook for financing, or in any current discussion of financial institutions, one must constantly keep in mind the state of the economy, and, especially the condition of the money markets.


Herbert R. Silverman

A downswing cycle, and a confusing condition of the money markets — conditions which we now have — indicate to financial institutions, like factors and commercial finance companies, the need for more than the usual precautions. There are many applicants for funds—and a greater requirement for care and selectivity on the part of the lender.

At the present time, we seem to be in a rather indeterminate state in our economy. There seems to be an abundance of bank funds for lending purposes, but the interest rates on prime loans are still comparatively high and the banks are quite selective. This is so, in spite of the falling off in bank volume of business loans, and in the decrease of the potential for such loans. A lending officer of one of the prominent banks in this city, at the turn of the year, stated that his bank's commitments for loans, to be made in the first six months of the year, were about 40% below that of a year ago.

Reports tell us that in the first four weeks of 1954, business loans of banks, in 94 leading cities of the country, dropped by $886 million, compared with a decline of only $369 million in the similar 1953 period. In New York City, where figures are available for the first nine weeks of the year, bank loans to business have declined each week; and the aggregate for the nine-week period is $556 million below a year ago.

Now, while the demand for bank loans is considerably off, nevertheless, the interest rate, charged by banks, is still unchanged from what it was over a year ago.

Early this year, the Administration was criticized for its hard money policy. Politically, it was imperative that a change be made in its monetary program and some remedial steps have been taken.

Beginning in February, the FRB reduced its rediscount rate from 2% to 1¾% bringing the rediscount rate into line with the rate that prevailed prior to Jan. 16, 1953. The thinking of the FRB, apparently, was to ease credit for business. Figures, early this year, pointed to a greater decline in production and sales, in 1954, than had been anticipated. I am sure all of you remember that even a lower discount rate—a rate of 1% — was promulgated in 1938, to help offset a business recession at that time, and this lower rate remained in effect until 1948. We may be in for a little of the old adage about "history repeating itself."

What the FRB does, or does not do, in the weeks ahead, to ease money and credit, will be a gauge of the Administration's true feelings about business conditions. For the Administration, I think, is convinced that the way to counter a downturn in business is to use fiscal and credit tools in conjunction with other measures, such as tax relief.

My own opinion is that the rate charged by banks on prime loans will soon change. The rate on commercial paper has been dropping steadily—seven reductions in five months. This has been in line with the fall of rates on 91-day Treasury Bills and other short-term rates. The lower commercial paper rates have induced several large corporations to step up their borrowing in this field. Loans on commercial paper rose $68 million in January to $620 million outstanding — highest since August, 1926, according to the Federal Reserve Bank of New York. Never has there been quite so wide a spread between commercial paper rates and the prime bank rate. Today, the large commercial finance companies can borrow on commercial paper at rates ranging from 1½% for 30 to 89 day notes, to 1⅞% for nine-month notes — far below the banks' current 3¼% prime rate. [**Ed. Note**: Subsequent to delivery of Mr. Silverman's address, the prime bank rate was cut to 3%.]

Important Challenge of 1954—Acquisition of Adequate Business Funds

1954 is showing itself to be a year of many challenges. It is a year that is telling the entrepreneur that if he hopes to compete successfully he will have to provide funds for plant improvement and modernization, new product development and aggressive marketing and selling programs. It will be a year marking an unprecedented fight for a share of the cautious consumer's dollar.

One of the most important challenges, of course, is encompassed in the question, "Where will the business manager go to get the necessary funds to satisfy his company's needs in 1954?"

Sales Financing: Of course, as far as finished products are concerned, there will not be too much difficulty in financing their sales, particularly if they are of the durable goods variety. The business manager will have to worry, however, about making the sale at a proper profit.

Today, as you know, we live in a credit economy. Clyde William Phelps, Chairman of the Department of Economics, University of Southern California, in his excellent monograph on Installment Sales Financing, published in 1953, informs us, that of the more than 1,500,000 retail firms in the United States, one out of every three offers its customers the privilege of buying on credit. He states that in terms of dollar volume, one-third of all retail sales are made on credit, and 35% of these credit sales are handled on the installment plan.

Further, he points out that during the first six years after the war (1946-1952), retailers made installment sales totaling $76.3 billion. The volume in 1951 alone was $17.7 billion, or 12% of total retail sales.

To find purchasers, willing and able, to absorb the vast output of our factories, would have been impossible had it not been for instalment selling by dealers and the use of instalment credit by customers. This type of selling necessarily involves financing at both the wholesale and retail levels.

Today, while many banks are in the instalment field, nevertheless, the major source of instalment sales financing is the sales finance company—a highly specialized type of financial institution. The sales finance company offers a fully integrated financing service covering all the stages in the distribution of consumers' durable goods from the end of the assembly line at the factory, to the last trade-in at the dealer's place of business. Each of the leading sales finance companies has a network of several hundred offices throughout the United States and is, therefore, able to offer a nation-wide service through its own offices.

I do not believe there will be any difficulty, in 1954, in getting the necessary funds to finance sales—provided, of course, there are sales to finance.

Financing — Other Than Sales Financing: In obtaining the necessary money for plant modernization, new product development, aggressive marketing and selling programs, and, generally, for working capital purposes, the entrepreneur may experience some difficulty in 1954.

To get the funds that will work for him most effectively, he will have to acquaint himself with all available information concerning the various types of financial institutions, and which of these institutions will be in a position to help him achieve the best practicable solution of his problem.

The first thing he will note is that there has been a change from complete reliance on private capitalists to trade sources of capital. The experience of particular firms in obtaining funds will vary, depending, of course, on their size.

In the case of very large firms, undistributed profits have assumed considerable importance to them since 1945. According to a study, just released by the SEC, the net working capital of all corporations, except banks and insurance companies, was estimated at approximately $88 billion as of June 30, last year. The increase for the first half of '53 was $2.6 billion compared with an increase in the first half of '52 of $2.0 billion.

While net working capital was thus built up by $2.6 billion in first half of 1953, corporate business invested an estimated $11.4 billion, or four times as much, in modernizing and enlarging plant and equipment.

One of the striking features of this achievement is that the enlargement of physical facilities, plus the capital absorbed by increases in inventories and receivables, has been financed, to the extent of approximately 64%, from internal sources. These comprised retained earnings, plus the allowances for depreciation, depletion, and amortization.

In the years since 1945, American corporations, as a group, have paid out in dividends only 42% of their net income, reinvesting the rest in the business. This compares with an average of 82% paid out in the relatively high earnings period from 1926 to 1930, and 89% in the less prosperous era from 1936 to 1940. Thus, of the 36% of the new capital obtained from outside sources since 1945, approximately equal portions came from increases in current borrowing and the like (such as accounts payable, short-term loans, income tax reserves, accrued expenses) and from new security issues. The latter have run in a ratio of about two-thirds in bonds or notes and one-third in stock. Thus, stock issues alone, provided only about 6% of the new capital required.

Medium-sized firms, if they are not publicly financed, may not be able to borrow enough from commercial banks. In most cases, they cannot, and generally should not try to, borrow from the security markets. Hence, they may be compelled to place relatively heavy reliance upon other financial institutions.

As for the very small firm, specialized financial institutions have proven to be of real help. Not only do they render financial assistance, but in many cases supply managerial guidance and business advice.

Fortunately, growth itself contributes to the ability, as well as the need, to borrow. Growing firms acquire assets, which can be used as security, for loans. In the normal course of events, their inventories of raw materials, goods in process, and finished goods expand; their receivables increase, as the company grows, and they often acquire additional plant and equipment. These assets will, of course, vary in value as security for loans, but they are the sinews on which advances may be made.

The Unsecured Loan: The most important type of business loan today, of course, is the unsecured loan. The principal source for this loan, is the commercial bank.

One form of unsecured loan, is the long-term debenture loan, which is made available, in pertinent situations, by both commercial banks and insurance companies. Because it is a term loan and may be repaid over a period of years, the borrower can use the funds for needed expansion . . . new buildings . . . new equipment, and working capital, repaying the loan out of profits, or refinancing, at a later date.

Within recent years, life insurance companies have become more active in the field of extending long-term debenture loans. The latest example of this, is the $250 million loan extended to the Chrysler Corporation by the Prudential Insurance Company of America, for a term of 100 years. This is understandable in view of the unique position that the in-

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*An address by Mr. Silverman at a Seminar on "Business Safeguards," sponsored by the New York Credit Men's Association, New York City, March 8, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market shed its highly selective show of strength for a rather general retreat this week, ending a couple of sessions of indecision. Even the aircrafts, buoyant throughout most of the consolidation phases up to here, had to absorb a bit of handling that in the case of Douglas, for instance, not only wiped out a hard-earned two point improvement but even—in the same session—substituted instead a loss of equal dimensions.

* * *

For both the industrials and the rails, the midweek setback was the second sharpest of the year, amounting to two and a half points in the senior index and a point and a quarter in the carrier barometer. The ominous part is that the rails were testing a crucial area which, by market theory, might have indicated a little more life for them if it had been negotiated successfully.

* * *

Stop-Loss Orders Heavy

The months-old refusal of the rails to join the industrials in strength was certainly a large factor in building up a generally cautious attitude. The fact that industrials in the initial session of the week posted a new high for the last 24 years, plus a rather heavy list of special and secondary offerings which investors were called on to absorb, helped heighten the caution more. Stop-loss orders, consequently, were following the popular issues uphill rather steadily and it didn't take too much pressure to set them off and clean out the order books a bit.

* * *

Industrials have been showing signs of weariness for some time, as a matter of fact. The new high since the fabulous days of 1929 which was achieved this week was done on an improvement that was a matter of pennies. Moreover, in that same session the index at one time had been down past a dollar and it was largely happenstance that a mild rally was able to nudge the average to its new high. The 301.60 achieved was best since Oct. 23, 1929 when a posting of 305.85 was made in the decline from history's all-time high of 381.17. The average nudged up to the 300 line early in the month and has been toying with it ever since, closing above the line only on four occasions.

Market Features

There was no dearth of special features, however, despite the general market's reaction. One on the lower priced issues, U. S. Hoffman Machinery, was able in one day's trading to jump two points which is good appreciation on a $15 issue. The only trouble was that it didn't last because it gave up more than half of the gain before the closing gong. This issue has had a rather erratic career recently. From a high of 46 in 1946, it plummeted to below 7 in a couple of years, worked back to 35 last year and then hit the ways again. It reached the 1954 low of a shade over 14 only recently.

* * *

Scott Paper and Dixie Cup were features mostly in that they were able to carve out fat gains even when the market tide was dead against them. It seemed to be getting routine to find them showing plus signs of between two and four points in successive sessions. Scott is another of those exceptions to the general rule that has been able to make a good stab at equalling its previous all-time high before a 2-for-1 split in 1950. At its best this week it was less than a dozen points short of a 100% appreciation in a few years. Dixie has a bit farther to go to accomplish the same chore but, it too, is at an all-time high by a wide margin.

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American Radiator & Mullins

There was a twin flareup in American Radiator and Mullins Mfg., leading inevitably to all sorts of talk about the two as a merger team, but without any official confirmation so far. American Radiator-Standard Sanitary has had one of the more mundane market careers than most. It has held in a range of half a dozen points for as many years after reaching 23 in the 1946 bull swing against a low of 10 in 1949 and 17 recently. This is remarkably tame behavior considering the story the average have been telling of "prices" approaching their 1929 highs when American sold at 55.

* * *

RKO Pictures, with approval of its sale to Howard Hughes at the equivalent of $6 a share, retired to the sidelines for the most. It did become something of a feature in midweek when it erupted on large blocks running as high as 20,000 shares at a clip which boosted it back into the list of most active issues for what may be a final appearance if the transfer of the company to private control works out. The early-February performance of RKO rolling up a weekly total of 776,800 shares as a five-day chore is still a record for the year and could well stand unless some wild excitement is kindled in the next three quarters.

* * *

Curtiss-Wright Active

Curtiss-Wright did even better than RKO in volume action this week. It made a couple of successive appearances at the head of the list and it, too, appeared on some large transactions running as high as 21,000. In price action, it undoubtedly was heartening to the holders but the issue has yet to exceed either its 1952 or, for that matter, its 1951 and 1950 highs. The issue has a bit of distinction in a reverse way in that it made its recent high in 1948 instead of 1946, which isn't the case with many issues on the list.

* * *

The common and preferred issues of Mo-Kan-Tex—Katy—Rail Road came into a bit of a play when it became known that representatives of the various securities groups were conferring on a new recapitalization plan with some belief that they were closer on agreement than they have been in some time. The preferred, on which close to $150 is owed, was somewhat uneasy, up a handful one day and off several points the next in the game of trying to figure out what nebulous value their might be in various combinations. None of them were able to lift it to its 1953 high despite the play in the issue, although it did come close.

* * *

N. Y. Central Dawdles

New York Central continues to dawdle with no signs that there is any urgent buying in the battle for control of the road. If anything, it indicated mild selling by appearing rather persistently in the minus column. Central, through the year, has been a volume issue by nature and, while it is true that it has been active, it certainly hasn't been active to any unusual degree. It was the No. 1 stock in activity for the years of 1953 and 1952 without any threat of a proxy fight.

* * *

Chemicals, motors, steels and utilities have had a somewhat drab tinge this week, contributing little in the way of interest to the markets. Oils have had their moments of good action. Except for some momentary strength in Motorola, the television-electronic issues continue to idle around in anything but a stirring manner.

* * *

The air conditioning and soft drink issues—the "summer" stocks—continued buoyant generally as they have been all winter proving mostly that capital gains taxes being what they are, it calls for long-range planning in this day and age.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Advocates 30-Year Govt. Guaranteed Mtges.

Thomas H. Quinn, President of the Inter-County Title Guaranty & Mortgage Company, says this type of mortgage offers a good outlet for investment funds and would permit lower income groups to acquire homes.

Addressing the New York State Association of Real Estate Appraisers in New York City on March 18, Thomas H. Quinn, President of the Inter-County Title Guaranty and Mortgage Company, urged the immediate acceptance by mortgage lenders of a 30-year Government-insured mortgage on homes. Mr. Quinn, in his remarks, called attention to three pressures on lenders seeking to place their available funds in mortgages.

Thomas H. Quinn

One pressure is the tremendous volume of investment dollars that must be put to work profitably if present returns to investors are to be maintained. Secondly, there is the fact that family formations are materially lower today than at any time in recent years, with the prospect of another ten years before the formation growth again enters a cycle of expansion. A third source of pressure is the accelerated shrinkage of institutional mortgage portfolios, due to rapid amortization under monthly payments.

In the period of just one year, Mr. Quinn said, "we will have made a full circle back to premiums to builders and a mad scramble for mortgages for investment, but the lucky investor with enough mortgages in his portfolio, guaranteed and unguaranteed, for his own institutional investment or for resale to other institutions, will be fortunate indeed."

A thirty-year mortgage with a 5% down payment, will permit persons of substantially lower income to acquire homes, Mr. Quinn contended. He said that public housing will become less attractive, and that an increased number of home owners will be a stabilizing political influence on the population.

Mr. Quinn suggested that long-term guaranteed mortgages be restricted to homes selling for less than $13,000. The program should be used primarily to benefit persons whose incomes are not over $5,000 yearly, as higher income groups are well provided with credit facilities. He estimated that after ten years the unliquidated balance for a 30-year loan is $7,310, a relatively small amount over the $7,190 due on a 20-year mortgage after a decade of amortization.

Pennsylvania Turnpike Commission Plans Revenue Bond Financing of Over $225 Million

Thomas J. Evans, Chairman of the Pennsylvania Turnpike Commission, announced March 24 that plans are now underway for the financing of the Northeastern Extension of the Pennsylvania Turnpike and the Commission's share of a bridge across the Delaware River, linking the Pennsylvania Turnpike with the New Jersey Turnpike.

Governor John S. Fine will break ground today (March 25) for the Northeastern Extension. Mr. Evans said the projects would be financed from the proceeds of a revenue bond issue in excess of $225,000,000.

Financing plans for the new projects were developed by the Pennsylvania Turnpike Commission with the assistance of Drexel & Co., B. J. Van Ingen & Co., Inc., Blyth & Co., Inc. and The First Boston Corp.

This group of investment bankers is forming and managing a nationwide underwriting syndicate, for the purpose of submitting a proposal to purchase the issue of revenue bonds.

The first section of the Northeastern Extension will be a modern, limited access highway, 110 miles in length. It will begin at Plymouth Meeting on the Delaware River Extension, near Philadelphia, and extend northward to a junction with Routes U. S. 6 and 11 in Lackawanna County, north of Scranton. This new artery will skirt the Allentown-Bethlehem and Wilkes Barre-Scranton metropolitan area and provide easy access to the anthracite regions in the north and the popular Pocono Mountain resort sections.

The new bridge across the Delaware River will be a six-lane high level structure to be jointly financed, constructed and operated by the Pennsylvania Turnpike Commission and the New Jersey Turnpike Authority. It will connect the Pennsylvania Turnpike at U. S. Route 13, north of Bristol, with the Pennsylvania Extension of the New Jersey Turnpike. It is currently planned that the Delaware River Extension will be opened on or before Oct. 1, 1954.

Upon completion, the bridge will provide the connecting link of a chain of superhighways extending from Portland, Maine, through the New England states, New York, New Jersey, Pennsylvania, Ohio and Indiana to near Chicago, Illinois.

Both projects, the Northeastern Extension and the Delaware River Bridge, are expected to be opened to traffic before the end of 1956. The first 160-mile section of the Pennsylvania Turnpike System, from Irwin to Middlesex, was opened to traffic on Oct. 1, 1940. Upon completion of this section of the Northeastern Extension, the Turnpike will be 470 miles long.

According to Chairman Evans the engineering studies and the traffic reports indicate that potential revenue would provide excellent coverage for operation and maintenance of the System, including debt service on the bonds.

Rise of Consumer Credit In the National Economy

By HOMER J. LIVINGSTON*
President, The First National Bank, Chicago, Ill.
Vice-President, American Bankers Association

After discussing the distinct nature of consumer credit, Mr. Livingston points out this field of borrowing functions best in an economy where men and women receive a steady income such as we have in U. S. Says consumer credit has been induced by mass production and reveals extent of instalment buying. Stresses role of commercial bankers in fostering sound consumer credit, and, concludes, because commercial banks are so largely in this field, they must assume responsibilities of leadership.

It is highly appropriate for the American Bankers Association to review annually in this meeting the current trends and the significant role of consumer credit in the national economy. We should be remiss if we did not constantly study the impact of this important form of credit upon our banks, upon commerce and industry, and upon the lives of the American people. The scholar who ranges through the pages of economic history will find that the problems of credit, debt, and interest have been present down through the centuries. Thoughtful students have analyzed and studied these problems in every generation. But consumer credit, as we have come to know it, is a relatively modern development.


Homer J. Livingston

It is well to understand clearly one of the fundamental and practical differences between many types of consumer credit and the usual forms of short-term commercial bank credit. Short-term commercial bank credit is based primarily on the principle that the loans granted will be used to finance the production and distribution of goods. For example, a manufacturer may borrow to purchase raw materials and fabricate them into finished products, with the understanding that he will retire the loan when he sells his products. A retailer may borrow to purchase merchandise to sell in his store, with the expectation that he will retire his loan from the proceeds of the sale of the merchandise to the consumer. A farmer may borrow to buy feed to fatten cattle which he expects to sell. The proceeds of the sale are to be used to retire the loan. Short-term commercial bank loans to finance the production and distribution of goods and commodities automatically tend to liquidate themselves, ordinarily within 90 days to one year. The borrower hopes through the proceeds of sales to receive enough money to retire his loan, pay his interest, and earn a profit. This is the basic and underlying principle in the extension of short-term commercial bank credit.

The Foundation of Consumer Credit

Consumer credit, on the other hand, rests in most cases on a fundamentally different foundation. Loans to consumers generally represent advances for the purchase of automobiles, radios, television sets, washing machines, fur coats, furniture, and other commodities. The borrower does not expect to liquidate his loan by the sale of the article or commodity he purchases, as he does in most short-term commercial bank credit. Liquidation of consumer credit is based on the anticipated income of the borrower. It rests in large measure on the assumption that the borrower will receive reasonably regular income payments, generally as salary or wages, for as long as 18 months or more. In the sense that the liquidation of consumer credit depends on anticipated future earnings, it is interesting to note that it is similar in many ways to various types of term loans which are liquidated out of the anticipated future earnings of corporate borrowers over a period of several years. In some respects, also, consumer credit permits the borrower to enjoy an income before he has earned or received it.

Consumer credit, therefore, obviously functions best in an economy where men and women receive income in a reasonably steady stream. The growth of consumer credit has paralleled the increasing industrialization of the nation. With this industrial development, a larger and larger proportion of our people are receiving reasonably regular wage and salary payments. In addition, a dynamic private enterprise economy, which has produced vast sums of wealth, has given an increasing number of our people far larger incomes than any people in history have ever enjoyed.

Mass Production as Basis For Consumer Credit

While these remarkable changes in our economy provided the necessary conditions for an increasing volume of instalment credit, there was still another significant and widespread development that reached into every segment of our industrial structure. That stimulating factor was the invention, development, and subsequent mass production of a wide variety of new types of highly desirable consumer durable goods at attractive prices. At the same time, these durable goods provided the security for consumer credit. To be specific, when the automobile industry began to mass produce with the idea of selling to thousands and thousands of persons, consumer financing became inevitable. The necessary spark had been provided. The purchase of an automobile and other goods required something more than the consumer's current income. The pay-as-you-use idea was on its way. That was between 1910 and 1915.

In the years that followed, America's inventive genius and her great productive capacity brought an amazing outpouring of goods to be financed by consumer credit. Automobiles, radios, refrigerators, washing machines, vacuum cleaners, tractors, and countless other products were competing to give our people freedom from drudgery, leisure, and higher standards of living. On the farm, in the village, in the city, everywhere, the American standard of well-being took gigantic strides forward.

By 1929, it is estimated that about 13% of the total retail sales of $49 billion were financed by instalment credit. Total consumer debt at the close of 1929 totaled about $6.4 billion, of which instalment credit was over $3 billion.

However, it was not until as late as 1936 that the volume of instalment credit was thought to be of sufficient significance for the U. S. Bureau of the Census to compile data on the subject. Of total retail sales of over $33 billion in 1935, it is estimated that about 21% was on open accounts and about 10% was financed by instalment sales. The Federal Reserve subsequently took over the task of compiling statistics on the subject and has been doing so since 1939. Incidentally, the series has been recently revised; and the April, 1953, issue of the "Federal Reserve Bulletin" covers the revision in detail.

During the war years, because of regulations and the reduced production of consumer durable goods, the volume of instalment credit necessarily declined. In recent years, however, it has increased at an accelerated pace, but at a rate paralleling quite closely the overall expansion that has taken place in our economy.

Today, for example, instalment credit in the United States totals about $21½ billion. A few comparisons give one a better idea of the magnitude of this total. Instalment credit outstanding is equal to about 37% of all the loans of all the Federal Reserve member banks. It is equal to about 70% of the time deposits of the member banks, 40% of the government bonds held by the member banks, and approximately 20% of all mortgage debt outstanding. One final figure—instalment credit outstanding last year amounted to about 12% of total retail sales of over $170 billion.

The role played by the commercial banks in the extension of instalment credit has grown at an equally rapid pace, and this fact is of special significance to us.

In 1919, it is estimated that one bank in the United States had a personal loan department. By 1930, 100 banks had established such departments; by 1936, the number had increased to 350. During one year, 1937, the number doubled to 700. Today it is estimated by the Instalment Credit Commission of the American Bankers Association that 80 to 90% of the commercial banks of the United States have consumer credit departments.

The percentage of instalment credit held by the commercial banks is perhaps a better indicator of their unusual role in the extension of consumer credit. Information prior to 1939 is rather incomplete. However, one early study suggests that at the end of 1936 about 10% of consumer credit outstanding was accounted for by banks having personal loan departments.

At the end of 1939, instalment credit outstanding totaled $4.5 billion, of which the commercial banks held about 24%. During the war years, despite a decline in volume, the commercial banks began to account for a steadily increasing share of the total. By the end of 1943, although total instalment credit had declined to less than $1½ billion, the commercial banks held over $500 million, or about 40% of the total. This percentage has persisted since then with but minor variations. At the close of December, 1953, the Federal Reserve reported that the commercial banks held a little over 40% of all instalment credit outstanding.

From December 31, 1939, the estimated instalment credit outstanding increased from $4.5 billion to $21.8 billion on Dec. 31, 1953. The amount held by the commercial banks increased from approximately $1 billion to $8.8 billion, a net increase of $7.7 billion, or over 720% over the 14 years. This was the largest increase in dollars and in percentages of any one of the principal holders of instalment credit.

Estimates of Instalment Credit by Holder

(in millions of dollars)

	Dec. 31, 1939		Dec. 31, 1953		Increase 1939 to 1953	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Commercial Banks	$1,079	23.96%	$8,856	40.61%	$7,777	720.76%
Sales Finance Companies	1,197	26.58	6,147	28.19	4,950	413.53
Credit Unions	132	2.93	1,064	4.88	932	706.06
Other Finan'l Institutions	657	14.59	2,467	11.31	1,810	275.49
Retail Outlets	1,436	31.94	3,273	15.01	1,835	127.61
Total	$4,503	100.00	$21,807	100.00	$17,304	384.28

SOURCE: Board of Governors, Federal Reserve System.

Equally significant, perhaps, is the percentage of the increase in instalment credit, in any one year, which is accounted for by the commercial banks. This figure is an indication of the activity of the commercial banks in developing this business. It reflects the aggressiveness of the banks in getting business and their ability to serve it competently. At the close of 1940, instalment credit outstanding showed an increase of $853 million over December, 1939. The commercial banks accounted for about 37% of this increase. In 1952, the increase in instalment credit outstanding held by the commercial banks accounted for 47½% of the total increase in this type of credit. In other words, although the commercial banks accounted for about 40% of the total instalment credit outstanding, the banks at the end of 1952 held 47½%, or almost one-half, of the added increment to the total of such credit outstanding. In 1953, the commercial banks accounted for about 43% of the increase in total instalment credit paper held by all lenders.

Importance of Consumer Credit To the Economy

These are but meager and inadequate outlines of the growth of consumer credit, but we must not fail to sense the significance to banking of these important trends. The development of instalment credit to its present importance in our economy and the substantial growth of the role played by the commercial banks require thoughtful consideration of two major banking responsibilities.

First, we must realistically face the fact that the steadily increasing share of this business in the banks places squarely on the shoulders of bankers much greater responsibilities. As the volume of consumer credit in the banks has grown, we have moved forward to new levels of responsibility. We cannot avoid, nor do we have any desire to retreat from, the obligations of this stewardship.

Leadership in the sound extension of all forms of credit is an imperative in sound banking. There are periods in the movements of the business cycle when there is a persistent and almost relentless pressure to grant consumer credit with terms and rates that are unsound. Down-payments are made too small. Too

Continued on page 34

*An address by Mr. Livingston before the National Instalment Credit Conference of the American Bankers Association, Chicago, Ill., March 22, 1954.

Continued from page 11

Let's Get Government Out of Business

inventory—an accurate inventory —of what the Government owns in business projects and in goods so we many approach the problem with better understanding of what needs to be done.

(3) Third, when this is behind us we should begin to liquidate properties. Some of them can be sold for cash to individuals or corporations. Some of them can be sold on long-term credit. Some of them, especially those that have been losing money steadily, may have to be almost given to anyone who will take them off the Government's hands—probably under an agreement that the Government get something for them later if they can be made to return a profit.

(4) Finally, huge projects that cannot be disposed of, like multiple-purpose dams, should be made competitive with private business. They should pay the same taxes on their income and property. Rates for water and electricity should be raised, if necessary, so that interest can be paid on the Government's investment and that investment liquidate in 40 to 50 years. Again, this can only be done by a continuous joint effort on the part of patriotic national legislators from every section. Thank heavens, there are many such from our Southern States. The advantage of such a program is obvious. The Government would recover billions of dollars as tax consuming properties were turned into cash. This money could be used to reduce or end national deficits and to decrease the public debt. Furthermore, and of great importance, the flow of Government income to make up deficits in such properties would be halted. In 1954 alone this would mean a savings of a billion dollars. Finally, all these properties would pay taxes to the Treasury. Secretary of Defense Wilson has estimated that these taxes would total another billion dollars a year. This figure is probably well on the conservative side.

The Impact of Atomic Energy

There is another compelling reason why it is important to get the Government out of competition with private industry at just this time. We are on the eve of the application of atomic energy to civilian uses. Atomic energy today is a tight Government monopoly. This has the deepest significance for every American.

Atomic energy promises to be the cheapest of all forms of energy. It duplicates the heat of the interior of the sun, and this heat can be converted into power. Westinghouse Electric has been authorized to build the first atomic power reactor, which will generate at least 60,000 kilowatts. General Dynamics is using atomic power to drive a new kind of submarine. Radio Corporation has demonstrated a battery that changes atomic energy into electricity. Developments such as these promise revolutionary changes in our economy, and yet we are only at the beginning. The new industrial era that is opening before us can only be compared to the new industrial eras that followed Watt's discovery of steam power and Faraday's discovery of electricity.

In February the President asked Congress to give private industry a stake in the development of commercial power from atomic fission. This is a good start. As businessmen we should do all we can, legitimately, to get Congress to pass the necessary enabling legislation. Atomic power will ultimately dominate industrial production. If it remains a government monopoly, the government could control production and with it most other phases of life.

The New Administration's Policy

Senators and congressmen from both sides of the Mason-Dixon line backed by the President are turning to American principles in Government and in business. They are fostering an environment that will permit free choice in a free market.

The President in his budget and economic messages to Congress in January said:

"It is the Government's responsibility in a free society to create an environment in which individual enterprise can work constructively to serve the end of economic progress."

In a press conference the President explained his philosophy of government. He is "liberal" toward human problems and "conservative" toward economic problems.

This is a reversal of the New Deal-Fair Deal philosophy under which the Government managed the economy because the people could not be trusted to do it intelligently. The New Deal-Fair Deal was based on strong central Government, constant economic planning, regulations and controls of many sorts, plus heavy spending and high taxes in good times with inflation and still bigger spending and heavier taxes in bad times. It was this philosophy that put Government into business in a big way, and kept it there. Its ideal was the welfare state, the Socialist state—one and the same thing.

Today we have men in Washington who are vigorously trying to stimulate jobs and national prosperity in contrast to the controls of the Roosevelt and Truman regimes.

The Congress supported by the President is making efforts to take government out of business. Congress reaffirmed the right of the states to the tidelands oil. Congress moved to sell the synthetic rubber plants, now becoming obsolete. It authorized the liquidation of the RFC. It permitted private, instead of public, development of the power potential of the Snake River. It is backing private development of the full power potential of the Niagara River. Congress denied funds for more steam power plants for the TVA. It has effectively halted the efforts of certain Bureaucrats to build power empires all over the nation. It has sold the Inland Waterways Corporation, which operated barges on the Mississippi River.

Thus while blocking new government business flyers, the old ones are being disposed of.

Meanwhile, both the Congress and the President are supporting the new Hoover Commission, which has just gotten under way. Mr. Hoover has set up non-partisan task forces of experts, including successful businessmen, top administrators, able accountants, and able, successful lawyers, to explore all the functions of the Executive Branch of the Government. You undoubtedly know some of the men who are generously giving of their time. Their first reports will probably be made to the 1955 Congress. We cannot at this point anticipate either findings or recommendations.

The first Hoover Commission did an outstanding job. It, too, was non-partisan politically, but it had ideological difficulties. Representatives of Big Government and of the more-government-in-business philosophy had high places on the commissions and its task forces. Dean Acheson was the Vice-Chairman. In spite of this, recommendations were made that could have resulted in annual economies of $3 billion. Many of its recommendations, especially those that were less controversial, were adopted and did a great good.

In contrast, the Congress and the President will doubtless make full use of the information supplied by the new Hoover Commission. For probably the first time in history our government will have exact data on the vast cost of inefficiency and duplication in its bureaus and departments. Also for the first time, we shall have exact data on the extent of the government's incursions into business and on the resulting national liabilities. Thus the government will have a sound basis on which to draft its policies.

Today there is a determination both in government and among the people to reverse the trend to Socialism. The Hoover data and recommendations will give these efforts new stimulus.

We would be fools to imagine that such a program will not meet vigorous opposition. The advocates of government control and ownership are a powerful, articulate group. They know propaganda and its uses. They have voices in television, in radio, in motion pictures, in book publishing houses, in magazines, and in newspaper offices as well as in both chambers of Congress. They will not sit idly by and see the efforts of 20 years brushed aside. They will not be silent.

I am informed that organizations are already being set up to fight any recommendations which would take government out of business. There will probably be many of them. These organizations have a selfish interest, in maintaining policies under which all the people are taxed for the benefit of a minority. Many of the people behind these groups have political as well as economic motives. Most of them are for Big Government. Some of them are prepared to undermine and then destroy free enterprise. Some are outright Socialists who want to take over the industry of the United States.

What can you and I do about it?

We can give ardent support to all efforts to restore American principles and traditions to government and to restore the business of the country to its citizens. We can insist that the recommendations of the Commission be given serious consideration and attention. We can muster the friends of free enterprise and the free market to the defense of the principles that gave this country life, vigor and prosperity. In doing so we shall know we are serving all the true friends of freedom at home and abroad.

If we ever lose our cherished liberty, if this country ever falters or fails, it will be from erosion from within. We have always licked our foreign enemies and I am sure we always shall. Our gravest peril right now comes from professed friends of the people among us who would sell our freedoms for a mess of alien pottage. The fight, your fight and my fight, is to get the government out of business—to preserve the American system.

Inter-American Trade Shows Marked Increase

More than half of United States exports in 1953 went to Canada and Latin-American Republics as against only one-third prior to World War II.

Inter-American trade has increased since World War II at a much faster rate than trade among other nations of the world, with more than half of U. S. exports going to Canada and the Latin-American Republics in 1953 as compared with only a third before World War II, according to "Latin-American Business Highlights," a quarterly publication of the Chase National Bank of New York.

At the same time, these areas were supplying 56% of U. S. imports compared with 37% before the war, according to the Chase study, which points out that the postwar increase in trade between western hemisphere nations is having a marked effect on the pattern of world commerce.

In discussing the reasons for this growing interdependence among western hemisphere nations, the Chase report says, "World War II helped stimulate inter-American trade. But more basic forces are also at work reinforcing our interdependence:

"(1) Since prewar days the U. S. has become greatly dependent on imports of Canadian and Latin-American raw materials;

"(2) Consumer markets in the U. S. have almost doubled since the '30's, boosting food imports from the 20 Republics;

"(3) Latin America's industrial revolution greatly enlarged her demand for almost every kind of U. S. and Canadian export;

"(4) The 20 Republics' food imports from North America are fast increasing as demand outruns local food output."

In a section dealing with U. S. private investment in Latin America, "Business Highlights" reports that over $6 billion is now invested in branch plants and subsidiaries in the 20 Republics—almost double the value at the end of World War II.

Petroleum was the dominant field for the investment of U. S. capital during the early postwar years, but since then the emphasis has shifted to manufacturing and mining, according to the bank's analysis.

Over 2,000 enterprises operating in Latin America are financed by United States private capital, with almost a third of these enterprises having been set up in the postwar period. These U. S.-financed companies account for about one third (more than $1 billion worth) of exports to the United States.

Joins Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ralph A. Goni has joined the staff of Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Goni was formerly with Reynolds & Co. and Davies & Co. In the past he conducted his own investment business in San Francisco.

Three With Reynolds Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Hugh W. Escher, Robert J. Rugen, and John E. Suhr are now affiliated with Reynolds & Co., 425 Montgomery Street.

Sutro Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert B. Einhouse has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Einhouse was previously with Reynolds & Co., and Davies & Co.

Joins J. W. Hicks Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Heyward E. Moseley has joined the staff of J. W. Hicks & Co., Colorado Building.

SOUTHERN RAILWAY COMPANY

Sixtieth Annual Report for the Year Ended December 31, 1953

Richmond, Va., March 24, 1954.

To the Stockholders of

SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1953, which will be formally presented to the stockholders of the Company at the annual meeting due to be held on May 18, 1954.

Foreword

Continued improvement in operating efficiency as measured by the ratios of the various categories of operating expenses to operating revenues; further progress in "long-term debt reduction"; and, conspicuously, the continuing industrial and agricultural development of the South on which the economic growth of the Company so vitally depends, were the major factors in producing the increased earnings of the year 1953 as compared with 1952.

These operational and development factors remain in sight as the Company enters 1954, although increased wage rates, and a moderate slackening of business activity in adjusting to a peace-time economy, which became apparent in November and December, 1953, and is continuing into the first quarter of the new year, will make it very difficult for Management to maintain earnings equal to the record of 1953.

I

The Year 1953

Operating Statistics

The Revenues from Operation of the railroad in 1953 were $275,212,346, the largest gross revenues in the history of the Company. The increase over 1952, however, was primarily due to increased freight rates which were in effect for the entire year 1953 as compared with only seven months of 1952, for the volume of freight business was slightly lower than in the previous year, as will be seen, and passenger revenues showed a rather pronounced decline.

The volume of business handled in 1953 and the receipts therefrom, as compared with 1952, were:

	1953	1952
Freight moved (tons)	62,780,260	64,500,413
Average distance moved (miles)	213.26	209.55
Ton miles	13,388,753,269	13,515,833,244
Average revenue per ton mile	1.767¢	1.707¢
Total freight revenue	$236,557,267	$230,743,186
Number of passengers	2,472,143	2,707,423
Average journey (miles)	249.89	257.53
Passenger miles	617,759,823	697,247,918
Average revenue per passenger mile	2.820¢	2.881¢
Total passenger revenue	$17,420,561	$20,089,398

Total Operating Expenses *decreased* by $1,702,371, as compared with 1952, due in large part to decreased Transportation Expense.

The result of increased revenues and decreased expenses was a further lowering in the Cost of Transportation Ratio to 30.65¢, the lowest in the Company's post-war history, a reduction of 1.99¢, as compared with the corresponding ratio of 1952. The Operating Ratio was reduced to 67.73¢ out of the operating dollar, as compared with 69.25¢ in 1952.

Railway Tax Accruals amounted to $42,952,412. These tax accruals were equivalent to $16.54 per share of Common Stock as compared with a net earning thereon, after taxes, of $11.62 per share.

Net Railway Operating Income, being the remainder of Operating Revenues after deduction of all Operating Expenses, Taxes, and Equipment and Joint Facility Rents, amounted in 1953 to $41,986,218, as compared with $36,376,960 for 1952, an increase of 15.42%.

The comparable ratios of the several subdivisions of Operating Expenses, Taxes, and Equipment and Joint Facility Rents, expressed in the number of cents out of each dollar of revenue, were as follows:

	1953	1952
Transportation	30.65¢	32.64¢
Maintenance of Way	13.04¢	12.69¢
Maintenance of Equipment	17.83¢	17.88¢
Traffic Expense	1.86¢	1.93¢
General Expense	3.52¢	3.14¢
Incidental Expense	0.83¢	0.97¢
Totals	67.73¢	69.25¢
Taxes	15.61¢	15.96¢
Equipment and Joint Facility Rents	1.41¢	1.40¢
Grand Totals	84.75¢	86.61¢

After the above deductions, there remained for fixed charges, for capital and corporate needs and for the stockholders 15.25¢ out of each dollar of the year's revenue, as compared with 13.39¢ in 1952.

Fixed charges were covered 3.51 times in 1953, as compared with 3.14 times in 1952.

Net Income

Net Income amounted to $33,190,325, as compared with $27,834,916 for 1952.

After a dividend of 5% on the Preferred Stock, the balance of the Net Income in 1953 was equivalent to $11.62 per share on the Common Stock, as compared with $9.56 per share in 1952, after adjustment for the splitting of the stock in June, 1953.

Rapid amortization charges on certain capital investments made in aid of national defense, allowable in computing federal income taxes, but not chargeable to regular depreciation under Interstate Commerce Commission accounting regulations, effected a reduction in such taxes for 1953 in the amount of approximately $2,926,155, being equivalent to about $1.12 per share of Common Stock.

Stock Split and Dividends

The stocks of the Company were split in June, 1953, after stockholder approval, and by amendment to the Charter, by issuing an additional share of no par value Common Stock for each share of the existing no par value Common Stock, and by causing each share of the existing $100 par value Preferred Stock to be exchanged for two shares of (new) $50 par value Preferred Stock.

After the splitting, the outstanding stocks of the Company consist of 1,260,000 shares of $50 par value Preferred Stock, and 2,596,400 shares of no par value Common Stock (all of which latter have been issued except, as of February 5, 1954, 812 shares held in reserve for exchange for 406 shares of old $100 par value Common Stock which have not yet come in pursuant to the Charter Amendment of 1938).

In the opinion of counsel for the Company, no taxable income to the stockholders resulted from the splitting of the stocks.

During 1953, dividends of 5% on the Preferred Stock were continued (at the rate of $1.25 per share per quarter on the $100 par value Preferred Stock prior to the split, and of 62½¢ per share per quarter on the new $50 par value Preferred Stock after the split).

There was paid in 1953 on the Common Stock, out of the surplus net earnings for the year 1952, an aggregate equivalent to $2.50 per share on the new split stock (being $1.25 per share in March and June, 1953, on the old stock, and 62½¢ per share in September and December, 1953, on the new split stock) as compared with $2.00 per share, after adjustment for the split, so paid in 1952 out of the surplus earnings of 1951, an increase in 1953 equivalent to 50¢ per share on the new split stock.

After providing for dividends of 5% on the Preferred Stock, there were declared, out of the surplus net earnings of 1953, an extra dividend of $1.00 per share on the Common Stock, which was paid on February 16, 1954, and a dividend of 62½¢ per share on the Common Stock, which was paid on the quarterly dividend date of March 15, 1954.

Improvements to the Property and Operations

Between 1941 and 1953, inclusive, the Company made large expenditures for capital improvements to Way and Structures and for new Equipment, aggregating a gross amount in excess of $286,000,000. Such expenditures for the post-war period alone, 1946 to 1953, inclusive, were in excess of $216,000,000.

The most conspicuous of such new capital investments are in (a) Diesel-electric locomotives and modern facilities for their maintenance, (b) new freight and passenger train cars, (c) yard and terminal construction and improvement, (d) Centralized Traffic Control, and (e) mechanization of roadway and equipment maintenance.

Reference was made in the Annual Report for 1952 to the expenditures for Southern's John Sevier Yard at Knoxville and Inman Yard at Atlanta, The Alabama Great Southern's Ernest Norris Yard at Birmingham and the New Orleans and Northeastern's Oliver Yard at New Orleans. Other yard and terminal improvements have been made or are in prospect at Forrestville (Rome), Georgia; Asheville, North Carolina; Inman Yard (Atlanta), Georgia; Seven Mile (Charleston), South Carolina; Valdosta, Georgia (this yard having been constructed by the Georgia Southern and Florida Railway Company); and there is under construction at Citico (Chattanooga), Tennessee, The Cincinnati, New Orleans and Texas Pacific's new major retarder yard, comparable in cost and potential efficiency to the Sevier and Norris Yards.

All of these new terminal facilities are of reciprocal benefit and saving to the integrated operations of the Company and its Southern System affiliates and subsidiaries, and are estimated to earn in over-all reduction in expense some 30% per year on their cost.

Modern and efficient Diesel shops have been constructed.

Roadway maintenance is being mechanized to the greatest extent possible. New machines which mechanically remove crossties and simultaneously install replacements are in process of application on the property and are estimated finally to effect savings in maintenance of way expenses to Southern Railway System lines of $1,000,000 annually. Roadway forces are being handled in over-the-highway house trailers, thus abolishing the costly old-time camp cars. In many instances, these forces are camped at the job site instead of at the nearest station and non-productive travel time is minimized.

New freight-train cars and modern passenger-train cars have been acquired by the Company in the 1941-1953 period at an aggregate gross capital cost of over $94,895,000, such cost for the 1946-1953 post-war period alone having aggregated over $68,500,000.

The Company, its System affiliates and subsidiaries have acquired and put into service 896 units of Diesel-electric power, at a cost in excess of $128,155,000, the System and subsidiaries having thereby become completely serviced by Diesel power as of June 17, 1953, when the last steam engine completed its final run on the Southern System.

These capital improvements, together with the development of new and improved techniques in their use, have aided in producing the substantial reduction in the Cost of Transportation Ratio and in the Operating Ratio which was referred to above.

Capital expenditures for 1954 are estimated to be substantially lower than the corresponding expenditures in 1952 and 1953.

Constant effort has been made, and is continuing, to take off unprofitable passenger trains and to reduce train mileage, consistent with the requirements of handling the traffic expeditiously and efficiently.

Labor Relations

In March, 1953, a Referee, appointed by the President of the United States, held that employees of the Nation's railroads, represented by Labor Organizations, were entitled to an increase in wages of 4¢ per hour, effective as of December 1, 1952. This disposed of an issue which had arisen in 1952, as referred to in last year's Report, over the question of whether or not the employees were entitled to an annual improvement wage increase. The Company's payroll costs increased approximately $2,456,352 per annum as a result of this decision.

On May 22, 1953, notice was served on the Nation's railroads by all non-operating employee Organizations for rule changes and new rules. Included in the proposal was a request for a health and welfare plan covering life insurance, hospital, medical and surgical care for employees and certain dependents. The Carriers have taken the position that the health and welfare plan is not a matter subject to negotiation under the Railway Labor Act. Meanwhile, the employees took a strike vote and, as a result, the President of the United States, on December 28, 1953, created an Emergency Board to investigate and report on the pending dispute.

On October 1, 1953, representatives of operating employee groups served notices on the Nation's railroads for increases in wages—the Engineers requesting 30%, the Firemen 37½¢ per hour, with a minimum of $18.00 per day, the Trainmen 37½¢ per hour, and the Conductors for a graduated wage scale based on weight on drivers of locomotives.

Settlement was effected through national negotiation with the Trainmen's, Firemen's and Conductors' Organizations. At the time of the settlement, the employees had received a total of 13¢ per hour cost-of-living adjustment under the escalator clause of prior Agreements. Under the current settlement, the 13¢ was made a part of the basic rate, and use of the escalator clause was abandoned, so that there will no longer be any adjustments upward or downward based on the cost-of-living index. The settlement also provided for an increase of 5¢ per hour, effective December 16, 1953, and one week's additional vacation for employees with fifteen or more years of service, effective January 1, 1954. This settlement with the Trainmen, Firemen and Conductors is estimated to produce a payroll increase of approximately $852,936 per annum to the Company.

The request of the Engineers is still in the process of negotiation.

It is estimated that each 1¢ per hour increase to all employees costs the Company $600,000 annually.

Rates, Fares and Mail Pay

The railroads filed a petition on March 27, 1953, with the Interstate Commerce Commission seeking to (1) eliminate the expiration date (February 28, 1954) for the increased freight rates authorized in *Ex Parte 175* and (2) eliminate the "surcharge" application of the said increases in freight rates authorized in that proceeding so that the increases may be applied to the published rates and charges. On July 29, 1953, the Interstate Commerce Commission issued an order extending the expiration date from February 28, 1954, until December 31,

SOUTHERN RAILWAY (Continued)

1955. The railroads are giving further consideration to having the increases made permanent.

Efforts to increase passenger train revenues continued:

(a) On October 5, 1953, the Interstate Commerce Commission approved service charges for checking baggage and trunks, which it is estimated on an annual basis will increase the Company's revenues over $50,000;

(b) On June 24, 1953, the railroads filed application with the Interstate Commerce Commission seeking a 45% increase in compensation for the transportation of United States Mail and the services connected therewith. As a result of a compromise reached with the Post Office Department, the railroads decided to amend the application to seek an increase of 10% in lieu of the 45% originally sought, which decision was predicated in large measure upon the competitive situation and to prevent further diversion of mail to airplanes and to trucks. The matter was set for hearing before the Interstate Commerce Commission on January 6, 1954, when it was stipulated that the increase, if granted, should become effective October 1, 1953. On an annual basis and on present volume, it is estimated that the additional mail pay compensation for the Company will amount to approximately $1,000,000; and

(c) On July 20, 1953, the Interstate Commerce Commission, in *Ex Parte 185*, granted increased express rates and charges averaging about 15%, which, on an annual basis and based on present volume of traffic, are estimated to produce for the Company approximately $450,000.

New Rail

During 1953, there were laid 28,739 tons of new rail, as compared with 19,057 tons of new rail laid in 1952.

The Company has ordered, subject to allotment, 36,890 tons of new rail for the year 1954.

New Equipment

During 1953, the Company received and put into service the (a) 3,250 all-steel open-top freight cars, and (b) 31 Diesel-electric locomotive units, referred to in the Annual Report for 1952; and there were received 15 heavy-duty 70-ton flat cars, which were paid for in cash at $11,000 per car.

On January 1, 1954, the Company had on order, for immediate delivery, (a) 39 additional 70-ton flat cars at an estimated aggregate cost of $429,000, which are being paid for in cash, and (b) 240 70-ton covered hopper cars, and 250 95-ton ore cars for loading Venezuelan iron ore, the estimated cost of all of which 490 cars, aggregating $5,035,500, was financed by means of a Conditional Sale Agreement, dated December 15, 1953, payable in semi-annual installments running over a period of 15 years at an interest cost of 3.45% per annum with no down payment.

A program of providing 2,000 wood-rack freight cars for serving the pulp and paper industries located on the Company's lines is in progress, as well as the construction of 14 125-ton and 1 150-ton heavy-duty depressed flat cars.

At December 31, 1953, the Company's outstanding Equipment Obligations amounted to $85,015,025 (as compared with $86,413,655 on December 31, 1952), the installments payable thereon in 1954 amounting to $9,514,-205. These installments will be substantially off-set by estimated depreciation, exclusive of rapid amortization, chargeable to operating expenses, in the amount of $9,388,648.

At the end of 1953, the Company's System affiliate, the New Orleans and Northeastern Railroad Company, received 16 Diesel-electric locomotive units, and paid their cost, approximately $4,000,000, in cash from its treasury.

Use in 1953 of the Company's Financial Resources

In January, 1953, the Company received capital moneys from the sale of Southern Railway-New Orleans and Northeastern Joint 3¾% Bonds and the sale of New Orleans Terminal Company stock to the Company's System affiliate, the New Orleans and Northeastern Railroad Company, in the aggregate amount of $16,863,650.

In addition to meeting all of its current expenses and fixed payments, the Company paid from its treasury cash, supplemented by the capital moneys referred to above, the following conspicuous items:

(1) For capital improvements to Road and Structures, $7,832,343; for Equipment, $14,146,733, consisting of down payments on new equipment $1,133,735, installments of equipment obligations $9,644,130 and for additions and betterments to equipment $3,368,868; making an aggregate of $21,979,076 capital expenditures for the year, as compared with $23,772,942 so expended in 1952;

(2) For dividends, $9,491,000, being $1,298,200 more than in 1952;

(3) For the acquisition and cancellation of $14,422,000 principal amount of the Company's Development and General Mortgage Bonds, maturing in 1956, $15,220,261; and

(4) For the acquisition by a subsidiary of the Company of $4,474,000 principal amount of the Company's East Tennessee, Virginia and Georgia Bonds, also maturing in 1956, $4,855,129.

The Company had left on December 31, 1953, (a) investments in United States Government securities in the principal amount of $70,386,500, held in reserve for the acquisition of debt or reduction of maturing obligations, subject to further order of the Board of Directors, and (b) cash of $28,409,038, as shown in the balance sheet, the latter being reducible by items which were not cleared through the banks at the close of business for the year.

Net Funded Debt and Fixed Charges

	Dec. 31, 1953	Dec. 31, 1952
Funded Debt	$171,815,500[1]	$175,711,500[3]
Leasehold Estates	26,408,100[2]	26,595,700[4]
Equipment Obligations	85,015,025	86,413,655
Totals	$283,238,625	$288,720,855

[1] Does *not* include $12,474,000 of the Company's St. Louis Division Bonds wich were acquired by a subsidiary of the Company as of January 1, 1951, and $4,474,000 of the Company's East Tennessee, Virginia, and George 5% Bonds due in 1956, acquired by a subsidiary of the Company during 1953.

[2] Does *not* include $18,548,500 of Securities on Leasehold Estates, owned by the Company or its subsidiaries as of December 31, 1953.

[3] Does *not* include $12,474,000 of the Company's St. Louis Division Bonds referred to in footnote 1 above.

[4] Does *not* include $18,361,900 of Securities on Leasehold Estates, owned by the Company or its subsidiaries as of December 31, 1952.

The Company's net fixed charges, on an annual basis, as defined by the Interstate Commerce Commission, were approximately $12,312,000 at December 31, 1953. This figure represents a reduction in such fixed charges since the period prior to the Second World War by over $3,763,000 annually, or approximately 23%.

These fixed charges represent approximately 4.47% of 1953's gross, while, on a comparable basis, 1940's fixed charges represented approximately 15.18% of that year's gross.

Debt Reduction

The maturities of long-term debt of the years 1953 and 1956, which amounted to $89,605,000 as of December 31, 1952, and had been reduced to $66,660,000 as of February 12, 1953, through the financing described in the Annual Report for 1952, were still further reduced by December 31, 1935, to $59,286,000, consisting of an aggregate balance outstanding as of that date of the Development and General Mortgage Bonds maturing April 1, 1956, in the aggregate amount of $50,990,000, and $8,296,-000 remaining principal amount of the East Tennessee, Virginia and Georgia 5's maturing November 1, 1956.

The Company expects to pay these maturing bonds (less any acquired in the interim) at maturity from treasury cash, or from the proceeds of such new refunding issues as might be determined to be advantageous or advisable, although it has no present plan for any such financing.

Federal Tax Liability 1941-1946

The controversy referred to in prior reports over the Company's liability for federal income and excess profits taxes, for the years 1941 through 1946, is the subject of active negotiation in conferences between representatives of the Company and representatives of the Internal Revenue Service. In the opinion of counsel of the Company the negotiations are proceeding satisfactorily, although it is impossible at this time to make any accurate forecast of the final outcome of the negotiations.

The Reparation Cases

In July, 1953, the Interstate Commerce Commission Examiners who heard the evidence in the cases described in the last Annual Report, in which the Government seeks reparation in large amounts against a large number of railroads, including the Company, with respect to freight charges paid during World War II, filed their report recommending dismissal of all the cases. The Examiners found that the rates charged the Government were reasonable, and that no reparation should be allowed. The Government has procured an extension of time for filing its exceptions to the Examiners' report to March 20, 1954.

Divisions

Reference was made in last year's Report to the majority decision of the Interstate Commerce Commission, dated January 12, 1953, involving divisions of inter-territorial rates between the South and Southwest, on the one hand, and the North, on the other, and to estimates of the dissenting Commissioners that the decision would cost the lines in the South annually between $25,000,000 and $28,000,000, and those in the Southwest between $12,000,000 and $14,000,000. In response to petitions for reargument and reconsideration, the Commission reopened this proceeding and in a supplemental decision, dated May 26, 1953, prescribed divisions for southern lines on a somewhat more favorable basis than those prescribed in its original report. With this modification of the divisions previously prescribed, the southern lines as a group concluded to accept the decision without further contest and the new divisions, both as to the South and Southwest, became effective on July 15, 1953, thus ending the controversy.

Seatrain Litigation

In the last Annual Report reference was made to the action under the federal anti-trust laws brought in 1951 by Seatrain Lines, Inc., against a number of railroads, including the Company. On September 10, 1953, the United States Court of Appeals for the Third Circuit reversed the judgment of the District Court which had dismissed the complaint, holding that certain limited portions of the relief sought by Seatrain Lines, Inc., was within the jurisdiction of the District Court to grant, and that the District Court should decide these points on the merits. The case has not yet been heard by the District Court on its remand from the Court of Appeals.

II

Industrial and Agricultural Development

Steady and substantial progress continued in the location of new manufacturing plants and distribution warehouses along the Southern Railway System. Similarly, existing manufacturing and distributing facilities, expanded in number and size to an even greater extent and all but equalled the investment outlay made for new industrial projects.

This further evidence of the favorable industrial climate of the South, which not only attracts more and more new plants each year but also encourages and stimulates the growth and expansion of the older, established industries, lends added support to the Company's slogan, "Look Ahead, Look South."

The trend toward diversification in products manufactured at points served by the Southern System lines was maintained, and the year saw establishment or ground broken for important new plants to produce air-conditioning equipment, bottle caps, welding rods, cast steel car wheels, boilers, electric meters and sockets, plastic cable, electronic parts, helicopers, wooden toys, automotive electrical equipment and other items, some of which have not heretofore been produced in appreciable volume in southern territory. This greater diversity in manufacturing was accompanied by continuing expansion of the section's earliest industries — textiles, furniture, and lumber and woodworking — which accounted in substantial amount for the new plant investment and additions made to existing facilities.

However, it should be stressed that the year's industrial gains were not concentrated in any particular industry or industries but were perhaps more widely spread among a greater variety of industries than in any preceding year since the beginning of the South's widespread industrial development.

Chemicals, food products, metalworking, grain products, and fertilizer are among the other principal industries which participated in the establishment of new plants and expansion of existing ones.

This broad and general growth in diversified manufacturing is a heartening indication of the durability and stability of the South's economy, and a guarantee of the section's further progress and prosperity in the years ahead.

New Plants

During the year, 117 new and substantial industries were located at points served by System lines, representing an investment of nearly $78,000,000, with estimated new annual gross rail freight revenue to all participating rail carriers of more than $5,000,000, and providing employment for 11,235 workers. An interesting aspect of the year's new industries is the number of smaller enterprises organized and put into operation which in the aggregate are a vital and productive force in the growth and progress of the area.

Among the major new plants on Southern System lines are:

- A $25,000,000 titanium plant at Chattanooga, Tennessee.
- A paper box plant at Spencer, North Carolina, to cost $1,650,000.
- A welding rod plant with an investment of $3,000,000, at Roberta, Alabama.
- A bakery goods plant representing an investment of $1,600,000, at Spartanburg, South Carolina.
- A bottle cap plant to cost approximately $1,500,000, at Leeds, Alabama.
- A new cement plant with an investment of $3,000,-000, at Roberta, Alabama.
- A $2,000,000 yarn mill at Hot Springs, North Carolina.
- A cast steel car wheel plant to cost approximately $3,500,000, at Calera, Alabama.
- A $1,000,000 electric blanket plant reached by a subsidiary of the Company at Asheboro, North Carolina, through the acquisition of new trackage.
- A worsted yarn mill representing an investment of $1,500,000, at Seneca, South Carolina.
- An air-conditioning plant costing approximately $3,500,000, at Decatur, Alabama.
- A $1,000,000 automotive electrical equipment plant at Columbus, Mississippi.
- A boiler and steel fabrication plant with an investment of $2,000,000, at Brunswick, Georgia.
- A $12,000,000 electric meter and socket plant at Raleigh, North Carolina.

Distribution Warehouses

Indicative of the growing markets of the territory is the fact that 78 new distribution warehouses were set up at points served by the System's lines. These include branch units of nationally known firms, as well as local distributors, and provide for the storage and distribution of a multitude of raw materials and manufactured products. While these facilities are not of major significance from the standpoint of plant investment and addi-

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SOUTHERN RAILWAY (Concluded)

tional employment opportunities, they add to the territory's increased purchasing power, and are important from the standpoint of rail freight revenue. Such estimated annual gross rail freight revenue for all participating rail carriers to be derived from the new warehousing facilities established during the year amounts to about $2,000,000.

Additions to Existing Facilities

An aggregate of 143 major expansions, costing a little more than $70,500,000, were made to existing facilities in 1953. These expanded operations will provide an annual gross rail freight revenue of around $4,700,000 to participating rail carriers and supply 6,615 added jobs.

Outstanding expansions on System lines include:

A $9,000,000 addition to a nylon plant at Chattanooga, Tennessee.

A $4,500,000 addition to an electrode plant at Morganton, North Carolina.

A $4,000,000 addition to a rayon plant at Lowland, Tennessee.

A $1,300,000 addition to a hosiery mill at Loudon, Tennessee.

A $2,750,000 addition to a chemical plant at Chattanooga, Tennessee.

A $2,000,000 addition to a cotton textile plant at Huntsville, Alabama.

A $2,000,000 addition to a cotton textile plant at Arcadia, South Carolina.

A $1,900,000 addition to a tobacco products plant at Louisville, Kentucky.

A $7,000,000 finishing plant at a textile operation in Toccoa, Georgia.

A new and enlarged flour plant at Louisville, Kentucky, costing approximately $1,500,000.

A $1,500,000 addition to a cement plant at Phoenixville, Alabama.

An additional unit to an aluminum plant at Sheffield, Alabama, to produce air frame fuselages, costing $3,000,000.

A new and larger facility of an existing paper and paper products manufacturer at Atlanta, Georgia, representing an investment of $1,600,000.

A $4,500,000 addition to a tire and tube plant at Tuscaloosa, Alabama.

A $1,500,000 addition to a flour and feed mill at Birmingham, Alabama.

Indications are that 1954 will witness further progress in the industrial development of the Company's territory as evidenced by:

A new zinc ore mine going into production along the railroad in eastern Tennessee, estimated to produce approximately $1,000,000 annually in freight revenue; the large tobacco products plant referred to in last year's Report and now scheduled for construction at Greensboro, North Carolina; a $30,000,000 synthetic fibre plant for which a site has been acquired in North Carolina; and direct track access to a large chemical cellulose plant in southeast Georgia.

These prospects head the list of important new ventures at the beginning of the year 1954.

Increased Use of Coal by Steam Electric Power Plants

The phenomenal increase in electric power generation in the South, referred to in last year's Report, is requiring, and will continue to require, a greatly increased consumption of bituminous coal by steam power plants along the lines of Southern Railway System.

The estimated annual consumption of coal by these plants, now under construction and completed during the latter part of 1953, is approximately 9,900,000 tons, and such consumption is estimated greatly to expand beyond this figure.

Agricultural Progress

With further farm mechanization, improved cultivation methods and diversified crops and continued improvement in the breeding of livestock assuring a sound agricultural economy, the Company looks forward with confidence to secure prosperity throughout its territory.

Conclusion

While, as stated in the Foreword to this Report, the net earnings of the year 1954 may not be as large as in the year just closed, the Company is confident that its plant will continue to be improved so that it can maintain the safe, adequate, efficient and dependable transportation service which it furnishes to its territory. It is also confident that its financial condition will continue to improve.

The Company is proud to "Serve the South," where its destiny has so fortunately placed it.

The Management is most happy to congratulate the entire personnel on its progressive and productive efforts during the year just closed.

Respectfully submitted, by order of the Board,

HARRY A. DEBUTTS,
President.

SOUTHERN RAILWAY COMPANY
Financial Results for the Year

	In 1953	In 1952
The Company received from freight, passenger and miscellaneous operations a total revenue of	$275,212,346	$271,624,396
The cost of maintaining the property and of operating the railroad was	186,399,731	188,102,101
Leaving a balance from railroad operations of	$88,812,615	$83,522,295
Federal, state and local taxes required	42,952,412	43,352,931
Leaving a balance of	$45,860,203	$40,169,364
The Company paid to other companies for hire of equipment and use of joint facilities in excess of the amount received by it from those sources	3,873,985	3,792,404
Leaving an income from railway operations of	$41,986,218	$36,376,960
Other income derived from investments in stocks and bonds and miscellaneous items was	4,720,164	4,733,378
Making a total income of	$46,706,382	$41,110,338
Interest on funded debt and equipment trust obligations, rents paid for leased railroads and miscellaneous deductions totaled	13,516,057	13,275,422
Resulting in a net income of	$33,190,325	$27,834,916

Financial Position at the End of the Year

	On December 31, 1953	On December 31, 1952	Increase or *Decrease*
The Company had investments in land, railroad tracks, terminal facilities, shops, locomotives, freight and passenger cars and other fixed property of	$702,467,697	$681,829,151	$20,638,546
Less: Depreciation, amortization, donations and grants, and acquisition adjustment	116,877,359	114,095,744	2,781,615
	$585,590,338	$567,733,407	$17,856,931
In addition the Company had investments in stocks, bonds and notes of affiliated companies and other investments carried at	82,159,492	76,583,581	5,575,911
Unexpended balance contracted for under Conditional Sales Agreements to be disbursed upon delivery and acceptance of equipment	5,035,500	21,352,500	*16,317,000*
Sinking fund for redemption of bonds	151,500	------	151,500
Total Investments	$672,936,830	$655,669,488	$7,267,342
The Company had cash and special deposits amounting to	$31,283,437	$37,333,285	*$6,049,848*
And temporary investments in U. S. Government Securities	70,375,435	42,288,103	28,087,332
Other railroad companies and others owed the Company	20,574,250	23,060,027	*2,485,777*
The Company had on hand fuel, rails, ties, bridge material and other supplies necessary for keeping road and equipment in good order	16,523,570	18,761,486	*2,237,916*
Deferred assets and unadjusted debits, including items owed to but not yet available to the Company	5,113,525	4,706,730	406,795
The Assets of the Company totaled	$816,807,047	$791,819,119	$24,987,928
The Company owed for materials, supplies, wages and balances to other railroad companies, and interest, dividends and rents accrued but not yet due	$31,004,980	$35,152,365	*$4,147,385*
Taxes accrued but not due	48,770,683	45,184,732	3,585,951
Operating reserves	3,885,082	3,822,769	62,313
Depreciation of road and equipment leased from other Companies	4,288,733	4,360,324	*71,591*
Deferred liabilities, including items due to others, but not yet adjusted	11,231,462	12,286,938	*1,055,476*
The total of these liabilities, credits and reserves was	$99,180,940	$100,807,128	*$1,626,188*
After deducting these items from the total assets there remained, for the capitalization of the Company, net assets of	$717,626,107	$691,011,991	$26,614,116
The capitalization of the Company consisted of the following:			
Funded Debt, including bonds, equipment obligations, etc.	$273,778,525	$274,599,155	*$820,630*
Preferred Stock	60,000,000	60,000,000	------
Common Stock	129,820,000	129,820,000	------
Making a total capitalization of	$463,598,525	$464,419,155	*$820,630*
After deducting this capitalization from net assets there remained a surplus, largely invested in the property, of	$254,027,582	$226,592,836	$27,434,746

New Mortgagee Exchange to Auction Mortgages on New York Properties

New Market Expects Large Dollar Volume

The financial center's newest market, the New York Mortgagee Exchange, will hold its first selling session Tuesday, April 6, at the Hotel Roosevelt, in N. Y. City.

The Mortgagee Exchange, inaugurated by Harry

Thomas G. Grace

Harry Fromkes

Fromkes, President of the Lawyers Mortgage & Title Co., 115 Broadway, will auction first and second mortgages on property in the Greater New York area. Hon. Thomas G. Grace, Chairman of the Lawyers Mortgage & Title Co., will also act as Chairman of the Exchange. Investors throughout the country will thus be enabled to find in one place a comprehensive listing of liens for sale. Initially, two auctions a month will be conducted on the basis of all-cash outright purchases for liens. Two weeks' notice of mortgages to be auctioned will be given to prospective investors.

$100 Million Potential in First Year

Mr. Fromkes stated that the Exchange has a potential turnover of $100 million in the first year. He estimates that the assessed value of property in the Greater New York area is $20 billion. If even half of that amount is mortgaged, there is a potential of $10 billion in liens which could be traded on the New York Mortgagee Exchange. At the first auction, Mr. Fromkes expects $1 million in mortgages to change hands.

Every real estate owner in the area will benefit, according to Mr. Fromkes, because its operations will stimulate activity in the entire real estate market, and the Exchange will enhance the value of the owner's property by providing a new avenue for financing.

The Exchange will list mortgages covering Great New York, including Westchester, Nassau, and Suffolk, also northern New Jersey and nearby Connecticut.

Mortgage values will be indirectly influenced by the Exchange, according to Mr. Fromkes, because liens will no longer be frozen assets. Through the medium of the Exchange, lien holders can liquefy these assets, getting their money back before the mortgage is due. This factor will make mortgages infinitely more desirable as investments because individuals and institutions can purchase them with the certainty that they can get their money out quickly if necessary.

Liquidity Factor Cited

Mr. Fromkes believes that this "liquidity" will increase the volume of real estate transactions, because owners will be more willing to accept a mortgage as part of the purchase consideration. They will be able to sell the mortgages on the Exchange and receive cash with which to enter other transactions. An important function of the Exchange will be to open up for mortgage investment those areas in Greater New York where institutional mortgage funds have been limited or restricted. Private funds should easily fill the gap with the incentive being a higher return on the funds invested.

Mortgages not yet consummated may also be presented on the Exchange in the form of a proposed mortgage by the title owner. In this way, owners otherwise unable to obtain primary or secondary financing may seek a market for their liens at the Exchange.

Only Institution of Its Kind in Country

The New York Mortgagee Exchange is the only one of its kind in the country and is being sponsored by the Lawyers Mortgage and Title Company. Fees for placement on the Exchange will be 2% of the sales price, paid by the seller. Payment by the purchaser will be required according to the usual real estate auction practice, 5% down and the balance in 30 days.

Projected plans call for weekly auctions on the Exchange, after the innovation has become an established custom in the New York financial picture. Mr. Fromkes expects eventually to list mortgages insured by the Federal Housing Administration and the Veterans Administration from all parts of the country.

Private Enterprise Should Prevail In Home-Financing Field

By JOHN A. REILLY*

President, The Second National Bank, Washington, D. C.

Speaking on behalf of the American Bankers Association, Mr. Reilly, though expressing general sympathy with the objectives of proposed "Housing Act of 1954," expresses opposition to sections which involve the government more deeply than ever in the field of home-financing. Holds private enterprise should be given responsibility of mortgage credit, and warns building beyond limit to satisfy real need for homes is not sound business. Opposes open-end mortgage contracts for FHA loans.

In general we are in sympathy with the objectives set forth in the bill. It sets high goals for community betterment and improvement of home conditions in areas of need. It gives recognition to the value of the country's vast investment in existing homes and the need to preserve them. Consideration is given to the need for maintaining an adequate supply of new homes; to assisting all persons regardless of race, color, or creed to have equal opportunities for adequate housing; and to assisting low-income families in their housing problems. It recognizes the principle of flexible interest rates and fees and charges to assist in providing an adequate flow of mortgage credit. It provides a more efficient mortgage insurance program through simplification and elimination of unnecessary provisions in the National Housing Act.

John A. Reilly

Although recognizing the importance of the slum clearance and urban renewal program set forth in Title IV of the bill and the changes in existing statutes proposed in subsequent titles in connection with the overall national housing policy, we are directing our testimony to the first three titles of the bill, all of which relate to mortgage credit.

We approve generally the changes in the National Housing Act in Title I of the bill which are designed to streamline and simplify the mortgage insurance program, such as, (1) the transfer of the Section 8, Title I, small home loans to and its integration with Section 203 loans; (2) the equalization of terms of insured mortgages on existing homes with those on new homes; (3) increasing the maximum limits on amounts of FHA mortgages, among others. Our views on these changes will be discussed in more detail later on in this statement.

However, there are other provisions of the bill to which we are opposed. Some of the methods proposed for achieving the objectives mentioned above do not conform with our interpretation of the basic national housing policy as expressed in the President's Housing Message and in the Report of the President's Advisory Committee on Government Housing Policies and Programs. For example, instead of encouraging private enterprise to assume greater responsibility in meeting housing and home financing needs without government support or assistance, certain provisions of the bill involve the government more deeply than ever in the housing and home-financing field. A housing emergency does not now exist. The great volume of mortgage credit which has been extended for home construction and the large number of new homes that have been built in recent years, all indicate that now is a time for government participation in this field to be reduced rather than enlarged.

Savings funds are traditionally a primary source of mortgage investment capital. In the years following World War II savings have increased rapidly and financial institutions have invested these funds heavily in the mortgage market. In 1945 commercial banks had total savings and time deposits of $30.155 billion and their real estate loans totaled $4.772 billion. By 1953 total savings and time deposits in the commercial banks had grown to $43.430 billion and their real estate mortgages to a total of $17 billion. In 1945 mutual savings banks had total savings deposits of $15.385 billion and total real estate loans of $4.279 billion. By 1953 total savings deposits in the mutual savings banks had grown to $24.387 billion and their real estate loans to a total of $12.799 billion. Thus, the investment in real estate mortgages by both commercial banks and mutual savings banks during these years more than kept pace with the growth in their savings deposits. The same is true of savings and loan associations and life insurance companies.

In view of the growing participation in the mortgage business by private lenders and the filling of the emergency demands for housing, the time has now come when it is appropriate for the government to curtail its activities in the housing and home-financing field. If the theory is correct that government assistance is sometimes needed to support the economy during a time of stringency, it certainly follows that the government should withdraw its support when the need has been filled.

By the terms of the bill and as implied in the President's message, it is the intention of the government to maintain and even raise the present level of home building and to assure the means of financing it. Caution should be exercised in this regard for it can result in developing a program of home building beyond that necessary to satisfy a real need for homes or of the available credit means from private enterprise sources to safely finance such programs. It is true that home construction requires the services of labor, absorbs materials, and supplies, and helps to create new markets for home furnishing, appliances, and conveniences. But it is not sound business to stimulate these processes beyond the ability of our economy to support.

FHA Title I Loans (Section 101)—The first proposal in Title I of the bill relates to extending the amount and maturities of FHA Title I loans for home modernization, repairs and improvement. We see no objection to increasing the dollar amount of the home modernization credit limitation from $2,500 to $3,000 in Class 1 (a) loans, but are opposed to increasing the maturity beyond the present three years and 32 days.

Expenditures for materials and supplies going into home repairs and improvements should generally be financed over a short period of time in the same manner that the purchase of other consumer durable goods are financed, for otherwise, the whole credit base of the country is weakened. During recent years the banks have been making every effort to hold the line on maximum terms of consumer credit. If an expansion of terms of FHA Title I loans is permitted it will inevitably bring pressure to bear for term expansion on other types of consumer credit loans, which we believe would not be sound for the consumer, the lender, or for the economy.

If the repairs, alterations, or improvements to the property are in the nature of long-term capital improvements, as distinguished from loans for ordinary wear and tear, longer-term loans, in larger amounts may be justified, but they should be secured by mortgage.

With regard to Class 1 (b) loans, it is our opinion that the present $10,000 loan limit and maximum term of 7 years 32 days should continue unchanged for properties of 2-to-4-family units.

With regard to the rehabilitation of larger properties designed for more than four-family units, we see no objection to raising the maximum amount to $10,000 per structure or $1,500 per unit, whichever is greater, and for a maximum term of ten years provided security in the form of a real estate lien is required and that prior credit approval is obtained from FHA.

FHA Section 8—Title I Loans (Section 103)—We are in favor of transferring the program for insurance of loans to finance small home construction from Title I to Title II of the National Housing Act. Title I is designed primarily for the insurance of unsecured consumer credit loans. It is entirely proper that the small home construction program of Section 8 Title I should be transferred to and integrated into Section 203 of Title II, thus consolidating it into the general FHA mortgage insurance program.

Increased Limits for FHA Loans (Section 104)—We support in general the restriction of credit to sound economic principles. Changing values in recent years, however, have occurred and we, therefore, recognize the desirability of increasing maximum limits on amounts for FHA loans on one to four-family dwellings as provided by the bill.

Equal FHA Insurance on New and Existing Homes (Section 104)—Within reasonable limits there should be some equalization of FHA credit on new and existing homes. However, we endorse the thinking expressed by HHFA Administrator Cole: "The FHA should not permit a maturity in connection with an existing house which is higher than warranted by the physical condition and expected economic life of the particular house involved."

To assure this objective we recommend that in no event should the loan on existing construction exceed 25 years.

Thirty Year Maturities on FHA Loans (Section 105)—A primary reason for lengthening maturities on mortgages is to reduce the monthly payment. From the builders' or dealers' viewpoint this is very important, for it helps to sell houses. A 30-year $10,000 mortgage at 4½% requires monthly payments of $50.75 to meet payments for interest and principal. The same loan for 25 years requires $55.60 a month, and for 20 years it requires $63.30 a month. A prospective buyer of real estate is naturally more easily attracted to the $50.75 payment, and it influences his decision as to the size of his investment and whether he would buy that house in lieu of another in which more conservative financing terms are required.

Actually, however, the longer maturity is not necessarily the best loan for the borrower. If a loan of $10,000 was repaid over a 20-year period instead of a 30-year period the borrower would save ten years of interest charges.

To foster sound credit and strength in our national economy, a 25-year mortgage for larger loans is enough. The property owner must have some equity in his property to make the credit economically sound. In this period of high production of homes and very high prices for real estate, it is not desirable to provide longer term loans and ever more liberal terms.

Termination of FHA Loans on Farms (Section 108)—It is proposed to eliminate FHA insurance on farm housing loans now provided by Section 203 (d) of the National Housing Act. Commissioner Hollyday has stated that the reason for terminating this provision is because it has been practically inoperative in the past. In view of the stated reason, we see no objection to terminating this provision. We believe, however, that farmers should have equal opportunity with all others for proper home financing.

Technical Changes—We concur in the provisions of the Housing Act of 1954 relating to eliminating the need of a mortgagor to certify on refinancing a mortgage, the adjustment of fees in foreclosure, the 10-year maturity provision for FHA debentures, and the annual insurance authorization tion for FHA, as provided by Sections 107, 111, 112 and 121 respectively.

FHA Loans on Rental Property in Slum Areas (Section 115)—We favor extending authority of FHA to insure loans under Section 207 of the National Housing Act on existing rental multi-family structures in community slum or blighted areas where part of the proceeds are used to repair or rehabilitate the property, as provided by this bill.

Cooperative Housing (Section 119)—We see no objection to increasing the top limits of FHA insured loans on cooperative housing projects, as proposed by this section of the Housing Bill—providing, that these limits should not exceed those provided under the rental housing program, except insofar as they provide preference for veterans.

New FHA Sections 220 and 221 (Section 123)—While approving in principle the need and desirability of urban renewal programs, the use of FHA insurance for this purpose needs very careful consideration, and should be segregated to an individual insurance fund to support the entire risk. Insurance funds underwriting the risk on residential properties under other sections of the National Housing Act should not be commingled with slum clearance and welfare housing programs. These types of loans have unusual risk, and their terms and conditions should reflect it.

We are opposed to the provisions contained in the proposed new FHA Section 221 for insured loans to low income families for 40-year loans with little or no down payment.

The only possible attraction for a mortgage investor to this type of loan is the insurance protective feature which is not sound justification.

Mortgages should be made to stand or fall on their own merits with insurance only as a secondary factor. Forty-year loans, even with the opportunity to convert into debentures at the end of 20 years, would of necessity depend heavily on the insurance factor for their marketability, and are unsound in principle.

Open-End Mortgage (Section 125)—We are opposed in principle to the addition of open-end mortgage contracts for FHA loans. There may be situations where the funds are used for capital improvement purposes which would be helpful to a borrower, but the way is opened for use for consumer credit purposes.

It is our belief that equities in real property should not be used as a means of extending the debt further, which delays true ownership of a home. An open-end mortgage arrangement, unless very carefully controlled, can serve as a means for keeping the home owner constantly in debt.

Termination of Certain FHA Insurance Authorities (Sections 126-129)—Simplifying the National Housing Act by terminating FHA Title VI loans to finance fabricated housing; Title VII Yield Insurance Provisions; Title VIII loans on Military Housing; and Title IX Defense Housing Loans, has our approval.

Presidential Control of Interest Rates and Mortgage Terms (Title II)—Under the Housing Act of 1954 the President is given exceedingly wide latitude in the control of housing credit, which in turn can influence the volume of home construction if he determines it to be necessary. He can fix interest rates on FHA insured and VA guaranteed loans, determine adjustments in fees and charges, and direct the extension of government credit through the new mortgage marketing corporation.

To the extent that this authority provides a means for flexibility of interest rates on insured and guaranteed loans within specified limits, and provides for an adjustment of fees and charges in connection with originating and servicing of loans in small communities and remote areas, we approve and believe that many of the ills of the past would be corrected.

Federal National Mortgage Association (Title III)—If interest rates were to be permitted to adjust to the supply and demand factors of a free market, there would be no need, in our opinion, for any form of government supported secondary market facility, as private financial institutions would meet all reasonable demands for home financing through an adequate flow of investment funds into mortgages.

The discretionary authority given the President to adjust interest rates and fees and charges, if exercised in a manner that recognizes area differentials, would stimulate the flow of funds to those areas where demand may exceed supply and thus make the continuance of the Federal National Mortgage Association unnecessary except for the purpose of liquidating its present mortgage portfolio in an orderly manner.

We believe that at the present rates on FHA and VA mortgages, private investors will supply all funds needed to maintain a sound volume of home construction and that a government supported secondary market will tend to overstimulate building, leading to an overproduction of residential properties.

Independent Status for FHA—We have long felt that a mutual mortgage insurance system such as the Federal Housing Administration should be an independent agency and not grouped with other agencies organized for different purposes, nor subject to policy control by a superior agency. It should be free to establish policies consistent with sound insurance practices. We urge Congress to give consideration to restoring the FHA to a completely independent status.

*A statement by Mr. Reilly before the House Banking and Currency Committee on H. R. 7839, Washington, D. C., March 9, 1954.

Peters, Writer Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald E. White is now affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street, members of the Midwest Stock Exchange.

The Credit Outlook

By FRED F. FLORENCE*
President, Republic National Bank of Dallas, Texas
Chairman, Credit Policy Commission
American Bankers Association

Mr. Florence reviews current business and credit developments, and states though business indexes have receded from peak levels, bank lending officers have not interpreted the trend as a serious downturn. Reveals loans continue downward, and ascribes this to decrease in inventory accumulation and not to forced credit liquidation. Says commercial banks now hold about one-half of instalment paper, and contends bank lending personnel are alert to changing conditions. Calls attention to expansion of field of bank credit in last 2 decades.

At the beginning of the year, the Credit Policy Commission of the American Bankers Association surveyed banker opinion regarding the prevailing business conditions and the outlook for 1954. The Sixth National Credit Conference held late in January also enabled us to sift the views of banking and business leaders, and more recently we have made a spot check in key sectors to determine whether any marked change in sentiment has occurred since earlier in the year.

Fred F. Florence

Current reactions indicate the present state of the readjustment is nearing the extent to which it was envisioned in January, but present thinking also indicates that the readjustment will likely proceed slightly further than anticipated at the time of the survey and conference. At that time, it was recognized that business activity during the first part of 1954 would not be sustained at the peak level of 1953; but that measured by most yardsticks, business would be good, and the gross national product in the year 1954 would be among the three highest years in our history.

Readjustments have occurred in many areas, and are continuing in specific industries as a result of the changed relationship between supply and demand. Increase in unemployment is causing some concern—nevertheless, a firm undertone of confidence exists, and overall sentiment continues to be good.

Bank lending officers have observed that the evidence of weakness which has developed in some lines of business during the past few months is not a new element in the credit picture. Many industries are already on a more firm foundation by virtue of having already experienced a period of readjustment.

The business indexes have receded from the peak levels of 1953, but bank lending officers have not interpreted the trend as a serious downturn which might spell deflation or depression, but rather a recession. There is a basic confidence in the fundamental strength of the economy. It is encouraging to report that the consensus of the National Credit Conference considered the sound credit situation an element of great strength in the nation's business picture.

Loan Trend Continues Downward

The trend of loans continues downward. The seasonal liquidation of business credit thus far in 1954 has been larger than that experienced in the comparable period of recent years, but total business loans are still very high in terms of historical precedent. The reporting member bank figure of $24.4 billion is only a billion—or 4%—below the all-time peak. The situation is somewhat similar in the instalment credit field, which is becoming increasingly important in our economy. Consumer loan totals, after leveling off toward the end of 1953, have declined in recent weeks as repayments on the heavy volume placed on the books early in 1953 are exceeding the amount of new paper being written.

From the standpoint of the health of the economy, it is again reassuring that our surveys show that these developments in credit liquidation are not the result of pressure on the part of banks to force repayment of loans. On the contrary, credit demand naturally would be expected to decrease as inventory accumulation diminished and liquidation proceeded. A moderate reduction in business inventories has been under way for several months, and it is now comparable to the situation developed in 1949, at which period banking continued to do a constructive job of lending. Indications are that the current period of inventory liquidation should soon run its course.

The Credit Policy Commission has found that credit is being made readily available by the banking system. Its surveys reveal that banks are willing and eager to lend, especially since the Federal Reserve has taken progressive steps to ease the reserve situation and thus create and continue a climate that is favorable to aggressive lending policies.

The pause in the business indexes, and the recession, have not caused an attitude of undue caution or alarm in bank credit policies. Instead, banks are anxious to serve the worthy credit requirements of a changing economy.

Despite the current recessionary trend, presently business is still good and the outlook favorable. At this time, credit is plentiful; and the indication is that credit will be available to meet adequately the requirements of an expanding economy.

An important point stressed at the National Credit Conference is that banks should be resourceful in their lending operations. Our experience over the past two decades has demonstrated clearly that the government is ready to step in when there is the slightest suspicion, no matter how ill founded, that private banking might not be doing the job. These are critical times for banking, because in periods of recession there are planted in certain channels the roots of lending philosophy which might set the pattern of loan operations for several years to come. That is why it is so important to the preservation of our private banking system for all segments of the banking fraternity to watch and study current credit conditions with the greatest care, and be able to respond to its legitimate requirements promptly and constructively.

It is in this area that the Instalment Credit Commission, of which this group is a part, and all those interested in any phase of instalment credit, have a tremendous responsibility and unique opportunity. The efficiency, thoroughness, and practical manner in which you supply the credit and arrange the terms have an important bearing upon industry and affect the lives of the millions of American citizens who have come to utilize instalment credit as an integral part of their daily life.

These people are entitled to have credit facilities available to them on an equitable and constructive basis; and industry and the entire national economy are benefited when this type of credit is readily made available to meet the worthy and meritorious requirements of an increasing population whose ambition is to achieve an ever expanding standard of living, and one in which they can enjoy reasonable luxuries and conveniences by paying for them out of current income, and at the same time be able to build up their savings as a guaranty of security.

One-half of Instalment Loans Held by Banks

Reports indicate that approximately one-half of the total instalment credit outstanding of $21 billion is held by the commercial banks of this country, and that the investment in instalment credit by the banking system represents approximately one-sixth of the total credit presently outstanding in banks. This brings to our attention another matter of the utmost importance, and that is the necessity for top management in the banking fraternity to give appropriate consideration to its responsibility in providing an atmosphere for the fullest development of its operations in the instalment credit field. It requires consideration in many avenues, but particularly in the allocation of the proper proportion of loans to be made available for instalment credit operations, and the selection of executives capable of handling that phase of the operations in a safe, efficient, and profitable manner.

It is frequently stated that a large segment of present lending officers in banking were not active in banking during the period of the terrible depression which engrossed this country in the early thirties, and the implication has been that experience of the older men of that depression is essential to other qualifications for sound banking techniques. I do not agree with that philosophy. While I have the greatest respect for the value of experience as a sound guide; nevertheless, it strikes me as being quite unfair and inconsistent with the facts to assume that one must have had the experience of going through the depression in order to be a good lending officer. I make that statement as one who was President of a bank throughout the period of depression, and at the present time. I believe that the personal equation, plus training, vision, alertness, good judgment, and adherence to proven sound policies, are vital factors in determining the ability of a credit man to do a good job under varying circumstances and conditions.

The credit man of today has been afforded many opportunities by banking schools, conferences, etc., and experiences under conditions presently affecting the American people in contrast with that existing 20 to 25 years ago; and he has been able to absorb training and experience in the new techniques of lending designed to carry forward a vast operation with a minimum of losses and maximum of services. This applies particularly to those engaged in the consumer credit lending in banks.

Wider Development of Area of Bank Credit

This area of bank credit has developed phenomenally during the past 20 years, and its development is a tribute to the aggressive and alert new generation of credit men who are responsible for its growth and high standing in bank operations. The thorough training that is currently available to instalment credit bankers, and the organization such as the Instalment Credit Commission of the American Bankers Association and many other related organizations, have given an experience of know-how to the present banking fraternity, which coupled with due consideration to the experiences gained through the depression period—and this fact is quite frequently emphasized to the officers in banking today by those of us who went through those experiences — causes the present generation of bankers engaged in this type of credit probably to be more expert, sound, and capable than we have had at any other time. For my part, and in my own book of experience, I believe that the present generation of active officers in this field are quite superior to those of any other time, and I pay this group that tribute without reservation. The senior executives in American banking will rely on you with confidence to perform your responsibilities with security to our banks and intelligent and constructive aid in maintaining a sound foundation to an expanding economy.

There is abundant evidence of great confidence in the future growth and development of our country and the rising standard of living of its citizenship. This is a prime factor in the underlying strength of our economy. Many of our largest business concerns are expressing this faith in terms of provision for capital expenditures in unprecedented amounts. Plans are now in the making for the development of industry to a point far beyond anything presently existing. Long range planning is an element of security to business. We must take into consideration the great increase in population of this country that is to take place throughout the next generation and its consequent demands upon industry. It will require the combined support and effort of our greatest minds in science and industry to provide adequately the requirements for the conservative estimate of our increasing population ahead.

It has been frequently stated that the opportunities of the past for development and accumulation of the fruits of industry, the development of our natural resources, and for labor were greater than those existing presently or which might be in the future. Nothing could be further from the facts. The future holds the greatest promise of any other time for the young men and women of America.

If we envision the gross national product of our country in the year 1975, it will likely make the present figures of our gross national product seem relatively modest. To enjoy the benefits of the opportunities of the future, men and women of integrity and character must prepare themselves to meet the great responsibilities of life; and business must keep itself well organized, strong, and well financed. It is those individuals who are qualified, and those businesses that are strong and well financed, large or small, that will be able to survive the periodic adjustments in our national life and be rewarded by sharing in the great opportunities and prosperity of the future that lies just ahead.

*An address by Mr. Florence before the National Instalment Credit Conference of the American Bankers Association, Chicago, Ill., March 23, 1954.

First Boston Elects King Director

Francis S. King

The First Boston Corporation, 100 Broadway, New York City, announces the election of Francis S. King as a director.

Mr. King has been associated with The First Boston Corporation or its predecessors since 1926 and has been Vice-President in Charge of Sales in the corporation's Boston office since 1948.

$40 Million Bonds of Los Angeles County Flood District on Sale

Bank of America N. T. & S. A. heads a syndicate offering $40,000,000 Los Angeles County Flood Control District, Los Angeles County, Calif., 2½% bonds, due May 1, 1955 to 1983, inclusive.

The bonds are offered at prices scaled to yield from 0.80% to 2.70%, according to maturity.

Associated in the offering are: The National City Bank of New York; The Chase National Bank; Bankers Trust Company; Harris Trust and Savings Bank; Guaranty Trust Co. of New York; J. P. Morgan & Co., Incorporated; Blyth & Co., Inc.; The First Boston Corporation; Smith, Barney & Co.; American Trust Company (San Francisco); Continental Illinois National Bank and Trust Company of Chicago; Chemical Bank & Trust Company; The Northern Trust Company; Lazard Freres & Co.; Drexel & Co.; R. H. Moulton & Company; Glore, Forgan & Co.; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Beane; The First National Bank of Portland, Ore.

Security-First National Bank of Los Angeles; Seattle-First National Bank; R. W. Pressprich & Co.; The Philadelphia National Bank; California Bank (Los Angeles); Equitable Securities Corporation; Bear, Stearns & Co.; Dean Witter & Co.; William R. Staats & Co.; Heller, Bruce & Co.; John Nuveen & Co.; Mercantile Trust Company (St. Louis); Lee Higginson Corporation; Reynolds & Co.; J. Barth & Co.; Laidlaw & Co.; Trust Company of Georgia; A. M. Kidder & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Laurence M. Marks & Co.; Clark, Dodge & Co.; L. F. Rothschild & Co.; Francis I. du Pont & Co.; Bacon, Stevenson & Co.; Chas. E. Weigold & Co.; R. S. Dickson & Company Incorporated; First of Michigan Corporation; The Illinois Company.

City National Bank & Trust Co. (Kansas City, Mo.); F. S. Smithers & Co.; Wertheim & Co.; G. H. Walker & Co.; W. H. Morton & Co. Incorporated; Coffin & Burr Incorporated; Roosevelt & Cross Incorporated; Dominick & Dominick; Ira Haupt & Co.; J. C. Bradford & Co.; Byrne & Phelps Incorporated; Kean, Taylor & Co.; Bacon, Whipple & Co.; Commerce Trust Company (Kansas City, Mo.); Shearson, Hammill & Co., and William Blair & Company.

J. M. Elias Opens

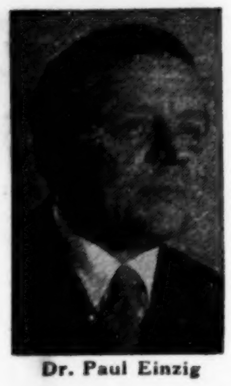
KEY WEST, Fla. — Jacob M. Elias has opened an office at 613½ Duval Street to conduct a securities business.

Behind the Scenes of International Finance

By PAUL EINZIG

Commenting on the recently published diary of Emile Moreau, former Governor of the Bank of France, Dr. Einzig points out its revelations of what went on in international finance in the late 1920's. Holds contents of diary is a lesson to Britain not to put itself into a vulnerable position by rushing into convertibility without adequate resources to maintain it.

LONDON, Eng.—Beyond doubt, Central Bank Governors are among the most secretive human beings. Compared with them even tight-lipped Treasury officials are almost talkative. The publication of the diary of the late Emile Moreau, Governor of the Bank of France in the 'twenties, is therefore a welcome event. All the more so as it covers an interesting period—that of the pre-stabilization of the French franc in 1926-28—and its author is most remarkably outspoken. Here and there dotted lines in the text indicate that the editor of the volume — presumably M. Jacques Rueff, who contributed a preface to it—censored out some particularly candid remark. Even so, the book is a goldmine of information about relations of Central Banks with each other and with their Governments. Although the events described happened a quarter of a century ago, M. Moreau's account is of the utmost interest to anyone who would like to know how things happen behind the scenes of international finance.



Dr. Paul Einzig

In any case, the book is of considerably more than historical interest. In his preface, M. Rueff argues that the lesson of the experience of the 'twenties is that a Government wishing to stabilize its currency should not pay lip-service to stability but should cut its past losses by reducing the value of the money to a realistic level. This is what M. Moreau did in 1928 when he succeeded with the utmost difficulty in dissuading M. Poincare from allowing the franc to appreciate to a too high level. And this is what M. Rueff would like the present French Government to do — to stabilize the franc at a level corresponding to the present level of wages.

One of the results of M. Moreau's disclosures is that it disposes of the "Poincare legend," according to which M. Poincare, a great financial expert, assumed office in 1926 with an ingenious scheme to save the franc, and carried out his scheme with firm determination. The reality, as it emerges from Governor Moreau's daily diary entries, is that M. Poincare had no plan at all, changed his mind from day to day, and made the life of those who had a plan and a fixity of purpose most difficult. To the very last moment he was utterly reluctant to stabilize the franc at one-fifth of its 1914 value, and was eventually persuaded to do so very much against his own inclination. His great contribution towards the stabilization was the confidence he commanded in the French Chamber, as a result of which France had a stable government during that critical period.

The intrigues that were going on within the Bank of France—M. Moreau discovered one day a "listening post" with the aid of which a senior official could tap his conversations—and the political and financial undercurrents make fascinating reading, confirming the saying that fact is stranger than fiction. What interests non-French readers even more than the account of these intrigues is the disclosure of double-dealing that was going on between Central Banks beneath the smooth surface of "cooperation between Central Banks" about which we heard so much during the 'twenties.

Judging by the conversations recorded in the diary, most Central Bank Governors were anxious to hunt with the hounds and run with the hare, doing their best to cash in on the rivalry between the Bank of England and the Bank of France. Even Governor Benjamin Strong, who had been regarded as Montagu Norman's staunch friend, told M. Moreau on one occasion that, should Norman refuse to pursue a certain course, he (Strong) had the means of forcing his hand through his influence on some Directors of the Bank of England.

By far the most interesting fact that emerges from M. Moreau's confessions is the admission that in 1928 the French authorities did misuse their abnormally large sterling balances for the purpose of bringing political pressure to bear on Britain. Allegations to that effect were emphatically denied at the time, and this is the first time that they have received official confirmation. The following instances are characteristic:

Jan. 27, 1928—"M. Rist is afraid that the Anglo-Yugoslav financial negotiations are making good progress. Should Britain deprive us of this client, which we wish to retain for political reasons, I shall buy gold in London in order to show my annoyance."

Feb. 21, 1928—M. Moreau informed M. Poincare that, should Norman refuse to comply with the French proposal to divide Europe into British and French spheres of influence, "a pressure on sterling must be envisaged."

Feb. 29, 1928—The French Financial Attache in London expressed the opinion that "we were wrong in threatening the Bank of England." The rest of the quotation was suppressed by the editor of the volume.

All this is, of course, past history. Thank goodness the relations between Paris and London are now satisfactory. In spite of this the admission of political blackmail by monetary means in the distant past is a matter of great interest and has a bearing on the present and the future. It provides a useful reminder of the degree to which a country which is trying to maintain the convertibility of its currency with the aid of inadequate reserves is apt to become vulnerable. It is liable to be subject to financial pressure for political purposes.

It would be wise for those in favor of an early return to sterling convertibility to heed this lesson. For today the danger of becoming exposed to political blackmail is at least as real as it was in the late 'twenties. It is by no means inconceivable that the Government of the U. S. S. R. might accumulate a very large sterling balance, with the aid of which it would be in a position to wreck the convertibility of sterling. It might be rather tempting, in given circumstances, for a weak British Government to yield to pressure from Moscow rather than being forced to suspend convertibility as a result of heavy Russian conversions of sterling holdings.

For this reason, apart from many others, it is of the utmost importance that Britain should not in any circumstances put itself in such a vulnerable position by rushing into convertibility without possessing adequate resources to maintain convertibility in face of any conceivable pressure. It is true, the chances are that London would be supported from Washington against any financial pressure from Moscow. But such pressure may conceivably come at a moment when, for domestic reasons, the Washington Administration is not in a position to help. Britain must be safeguarded against such a situation before convertibility is restored. Temporary facilities by the Federal Reserve System or the International Monetary Fund, recommended by the Randall Report, would not meet this requirement, because such facilities are liable to be terminated. Britain must increase its own gold reserve very considerably, and must achieve a strong balance of payments position, before it may be considered financially, economically and politically safe to restore convertibility.

CED Offers Plan of Defense Against Recession

In a 50-page statement of a policy for greater economic stability, the Research and Policy Committee of the Committee on Economic Development, headed by Frazar B. Wilde, President of the Connecticut General Life Insurance Co., as Chairman, lists what should be done by business, banks, and governments to assist in maintaining economic stability.

The Committee for Economic Development, an organization of business executives and economists created during World War II to study and advise on economic problems, has issued a 50-page statement on National policy for economic stability and defense against recession. The statement is in the form of a report of its Research and Policy Committee, whose Chairman is Frazar B. Wilde, President of the Connecticut General Life Insurance Co.

The summary of the statement, as prepared by the Committee, follows:

"The determination to prevent depression is a national determination shared by all sectors of the community. The responsibility is also shared by all. In this paper we have discussed what business and government can do. But labor, agriculture, consumers' and other groups in the society also have responsibilities that should be studied.

Frazar B. Wilde

What Business Can Do

"The responsibility of the individual business to help achieve greater economic stability must be discharged within the framework of its other responsibilities for efficient production and distribution. This is a limitation, but it still leaves the individual business with an important part to play:

"(1) Businesses should exploit fully the potentialities of research in the development of new products and improved production methods.

"(2) Businesses should be constantly alert and vigorous to improve their marketing methods, to make sure that the consumer is well informed and efficiently served and that the producer is aware of potential markets. A revival of attention to selling is now required, after neglect in the war and postwar period.

"(3) If sales decline, businesses should not automatically cut selling effort and advertising budgets, as they have often done in the past. They should appraise the possibilities that will exist for maintaining sales by redoubled effort in an economy where incomes and savings will still be large.

"(4) Businesses should follow a more stable inventory policy. They should avoid speculation, either on the upside or on the downside, but should seek to keep at all times the minimum balanced inventory needed for efficient operation.

"(5) Plant and equipment expenditures of businesses should be based on a long-term view of their contribution to the purposes of the enterprise. In this long-term view the current state of business, whether booming or depressed, should be placed in the perspective of the rate of growth and degree of stability that may reasonably be expected. This long-term view will, we believe, tend to reduce cyclical fluctuations in business investment.

"(6) Businesses should strengthen their financial structures, partly by less reliance upon short-term borrowing.

"(7) The vigor and inventiveness that American business has shown in many other fields should be brought to bear upon the problem of more rapid and steadier economic growth. In the period 1943-45, when CED was engaged in a program to stimulate business action to achieve high postwar production and employment, we found that businesses could do this more effectively if they set up their internal organizations systematically for this purpose.

"(8) Trade associations have an important job of research and education in applying to their own industries such general precepts as those listed above on what business can do. In addition, they can help to obtain more up-to-date and complete statistical information on inventories, sales and other subjects.

What Private Financial Institutions Can Do

"(1) Private financial institutions have a responsibility not only to conserve the funds entrusted to them but also to use these funds to provide the credit needed by a growing economy. This will involve some risks, which, within limits, the financial institutions should be in a position to bear.

"(2) Financial institutions should cooperate with businesses in getting a larger part of business debt into long-term form, less vulnerable to recession.

"(3) In the event of a recession, banks and other financial institutions should continue to extend credit on sound loans. Reforms in our financial structure over the past 20 years make this possible to an extent that was not possible in past recessions. In appraising the soundness of particular credits during a recession, due weight should be given to the safeguards that now exist against severe or protracted depression.

What State and Local Governments Can Do

"(1) State and local governments should assess the needs for constructive, possibly revenue-producing, expenditures within their jurisdictions and should examine possible ways, including local authorities, for meeting these needs to a larger extent.

"(2) State and local governments should include in their annual budgets appropriate sums which are reserved for future capital improvements.

"(3) Many local governments operate under obsolete debt limits which would be severe obstacles to the continuity of their operations through a recession. These debt limits should be revised.

"(4) More jurisdictions should develop capital budgets of projects to be initiated over the next several years, a substantial part of which should be advanced to the blueprint stage. This will help maintain the volume of state and local construction, despite economic fluctuations, and would permit an increase of such construction if necessary as part of a national program in which the Federal government would take the lead.

"(5) State governments should explore the possibility of reducing the obstacles that smaller subdivisions experience in raising funds in the national capital markets. This might be done by centralized marketing arrangements.

"(6) The maximum weekly amount of unemployment benefit should be raised in many states. The maximum duration of benefits should also be raised in many states toward the standards already reached in the leading states. Administration should be improved and eligibility rules reconsidered to reduce unjustified benefit payments. States that have not already done so should consider the possibility of extending unemployment compensation to workers in firms with less than eight employees.

What Local and Regional Community Organizations Can Do

"Voluntary organizations at the local levels, including businessmen, local government officials and other civic leaders, can do much to stimulate constructive action by all sectors of the community. Getting the vigorous and able people in a community together generates ideas and action. In fact, all of the things we have mentioned above as desirable are more likely to get done if there is a local face-to-face group devoted to their promotion.

"Where special local unemployment problems exist, voluntary groups can be effective in encouraging the development of new industries. And local groups can forestall the emergence of such problems by surveying their community's economic prospects and taking corrective action if a future deficiency of employment opportunities is revealed.

"A number of such groups already exist. During the past six years, for example, the CED has had a part in encouraging the formation and maintenance in various parts of the country of more than 20 college - community research centers. Businessmen and college professors work together on local and regional problems of current and long-range interest. Nine of these centers are currently working on problems relevant to the present report. Studies of this character are a constructive supplement to research conducted by national organizations.

What the Federal Government Can Do

"(1) The Federal Government, through the Federal Reserve System, should provide the basis for the expansion of the supply of money and credit needed by a growing economy.

"(2) Early in an actual or threatened recession monetary policy should aim to assure that the economy will not only be relieved of any pressure of illiquidity but also will be provided

with the most favorable financial conditions for expansion.

"(3) The Federal Government should adopt a stabilizing budget policy, under which it would not try to eliminate or reduce the large deficit that will automatically emerge in a recession as a result of a decline in tax receipts and an increase in certain expenditures. This deficit will be a force tending to limit the recession. A stabilizing budget policy should also produce surpluses to reduce the debt when employment is above a standard high level.

"(4) The present system of paying refunds under the Federal individual income tax should be revised so that the refunds will be paid more promptly.

"(5) Businesses should be allowed to carry back operating losses to apply against the profits of the two preceding years, rather than only one year as at present. This will increase the amount of tax refunds paid in a recession.

"(6) The Federal Government should establish a fund for loans to state unemployment compensation funds that may be in danger of exhaustion.

"(7) The Federal Government should collect additional data on the economic situation and outlook and make the data available more promptly.

"(8) The terms of Federal loans and loan-guarantees — including housing credit—should be flexibly adapted to changing economic conditions.

"(9) In the event of a serious economic decline, a temporary cut in Federal tax rates should be considered to stimulate private expenditure. Plans for this action should be made in advance. The Administration should decide in advance what kind of tax cut it would recommend, in what circumstances, and should discuss these plans with Congressional leaders. Ordinarily the tax cut should take the form of an across-the-board cut in individual income tax rates, but there may be circumstances in which some other tax change would be preferable. The initial cut should be substantial and should be followed up by other cuts as necessary. The cuts should automatically expire—subject to renewal by positive action — after a specific period, such as one year.

"(10) In the event of a serious decline involving a large drop of total construction activity, Federal public works expenditures should be increased. The backlog of Federal projects should be reviewed to make sure that a sufficiently large part of the backlog would be ready to go in an emergency. Advance plans should be made for the establishment of a central agency to expedite and coordinate Federal construction in an emergency. The size of the Federal public works program should be governed by (a) what can be efficiently and flexibly done, (b) the urgency of the projects, and (c) the desirability of preventing construction activity and employment from falling far below its 'normal' high employment level.

"(11) The Federal Government should offer loans to state and local governments for planning construction.

"(12) The Federal Government should prepare in advance, for institution when needed, a program of credit support to state and local governments for construction.

* * *

"We need confidence that the American economy will be much more stable than it has been in the past. Without such confidence, the maintenance of reasonable stability over any long period will be difficult. And even if we succeed, the continuing thought that we will fail itself has serious consequences. It is not healthful to have the friendly part of the world awaiting the next U. S. depression with fear, while the hostile part looks forward to it as the event that will turn the tide of history in its direction.

"We face a challenge. Despite its many brilliant achievements, the future of our competitive enterprise system will not be secure unless we can avoid the devastating effects of boom and bust.

"We face that challenge with confidence. Our economy can achieve its high potential without violent fluctuations. We base our confidence upon many facts—such as the strengthening of our financial and economic structure, the longer-term perspective of business planning, the stabilizing influence of unemployment compensation and income taxation, the other powerful instruments now available and the improved understanding of their use. And most important of all, we base our confidence upon the determination of the American people to meet the challenge."

First Boston Group Offer Detroit Ed. Bds.

The First Boston Corp. headed a banking group which reoffered yesterday (March 24) a new issue of $40,000,000 general and refunding mortgage bonds of The Detroit Edison Co., series N, 2⅞%, due March 15, 1984. The issue was awarded to the group at competitive sale on March 23 on a bid of 98.6499, for the indicated interest rate. The bonds have been repriced at 99.25 to yield 2.91% to maturity.

Proceeds of this financing, together with other funds, will be used to redeem on May 1 next, $40,000,000 principal amount of general and refunding mortgage bonds, series M, 3⅞%, due May 1, 1988.

The new bonds are redeemable at the option of the company at any time in whole or in part a prices ranging from 102.25 if called during the 12 months ending March 14, 1955, to 100.08 if redeemed after March 14, 1983.

Detroit Edison Co. is engaged principally in supplying electric service in southeastern Michigan including the highly industrialized city of Detroit. Gross revenues for the year 1953 totaled $192,057,000 and income before interest deductions for the same period amounted to $29,269,000.

Charles Goodwin Opens

(Special to The Financial Chronicle)

SALEM, Oreg. — Charles A. Goodwin has formed Chas. A. Goodwin & Co. with offices in the Masonic Building, to engage in the securities business. He was formerly with John Galbraith & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Appointment of William J. Moller and Frank P. Faber as Assistant Secretaries at **Manufacturers Trust Company, New York** was announced on March 22.

Mr. Moller came to Manufacturers Trust in March, 1947. Mr. Moller is assigned to the Specialized Loan Department, 55 Broad Street.

Mr. Faber came to Manufacturers Trust in March, 1937. Mr. Faber is assigned to the Foreign Department of the bank's 39th Street Office.

Charles C. Clough, Administrative Vice-President and a Director of Manufacturers Trust Company, died at his home in Garden City, N. Y., March 16, after a short illness. He was 56 years of age.

Mr. Clough joined the staff of Manufacturers Trust Company in 1921 and was appointed an Assistant Secretary in 1924. In 1929 he was appointed Comptroller, and in 1943 Vice-President and Comptroller. In 1947 he was appointed Administrative Vice-President and in 1950 was elected a member of the Board of Directors of the Company.

For the past 25 years Mr. Clough had been in general charge of operations of the Company, and under his guidance its branch banking system was built up from 47 offices in 1929 to 110 at present. He also was a Vice-President and Director of Manufacturers Safe Deposit Company.

* * *

Irving Trust Company, New York, on March 22 announced that Theodore A. Colombo has been elected an Assistant Vice-President. He will be connected with the Irving's Branch Office at 21st Street and Fifth Avenue.

Mr. Colombo, has been engaged, throughout his career, in banking in New York. Before joining the Irving, he was associated with the **Colonial Trust Company, New York** as Vice-President in Charge of their Wall Street Office.

* * *

It was 135 years ago—on Mar. 26, 1819—when the New York State Legislature granted a charter to **The Bank for Savings in the City of New York,** it marked the beginning of Savings Banking in New York State.

DeWitt Clinton, Thomas Eddy, John Griscom and John Murray, Jr. were among the public-spirited citizens who worked for three years to secure a charter for this non-profit institution to encourage thrift and to help "those who are willing to help themselves."

On July 3, 1819 the first day the Bank opened for business in a basement room in The Old Alms House in City Hall Park, 80 depositors banked a total of $2,807. Today, The Bank for Savings has four offices in Manhattan and safeguards over a third of a billion dollars for more than 200,000 savers.

Probably one of the most interesting savings accounts in the country—an exciting proof of how rapidly money grows—is an account that was opened on Aug. 16, 1819 with $10 for a new-born child, John S. Thorne. On Aug. 26, 1820 a second deposit of $5 was made. These were the only two deposits ever made. The account still alive, on Jan. 1, 1954 amounted to $4,785.57; all interest except the original $15.

From the very beginning, The Bank for Savings has enlisted the support of many of the city's most famous citizens. William Bayard, its first President, was one of the important men of his day, and it was to his home that Alexander Hamilton was taken after his fatal duel with Aaron Burr. Philip Hone, one of the Bank's early Presidents, was also one of New York City's most famous Mayors. His home on Broadway, while Mayor, is now the site of the Woolworth Building and his diary contributes to our knowledge of early New York.

DeCoursey Fales, now President of The Bank for Savings reports that since 1819 the Bank has served 1,925,000 depositors and dividends amounting to $390,000,000 have been paid.

* * *

Mr. William B. Lewis, Jr. of Bronxville, New York, was elected on Mar. 22 a Vice-President of the **Franklin National Bank of Franklin Square, New York,** it was announced by Mr. Arthur T. Roth, President of the Bank.

Mr. Lewis will be in charge of the Branch Loan Development and Administration Department of the bank.

Mr. Lewis has been an Assistant Vice-President of the Manufacturers Trust Company at its Fifth Avenue Office, and had been associated with that bank since 1933.

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The merger of the **Lawrence-Cedarhurst Bank, Merrick, N. Y.,** into the **Meadow Brook National Bank, Freeport, N. Y.,** became effective on March 19.

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The Roslyn National Bank & Trust Company, Roslyn, New York, increased its common capital stock, effective March 12, from $350,000 to $525,000 by sale of new stock.

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The common capital stock of the **Glens Falls National Bank and Trust Company, Glens Falls, New York,** was increased, effective March 12 by the sale of new stock, from $510,000 to $680,000.

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The Putman Trust Company of Greenwich, Conn., elected three new directors, it was announced on March 17, by C. C. Francis, President. They are Frank Pace Jr., Dr. S. Willard Price and Edwin Thorne.

* * *

Richard V. Bonomo has been elected a Director of **The First National Bank of Jersey City, N. J.,** Kingsbury S. Nickerson, President, announced.

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Mr. John C. Wright, President of **La Salle National Bank, Chicago, Ill.,** has announced the acquisition of additional space on the second floor of the Field Building. The new area will add more than 6,700 square feet of space. The total area then occupied by the bank will exceed 47,000 square feet.

Work has been started on extensive alterations. When the preparation of this space has been completed, by late summer, the second floor area will then house the Executive offices, the Commercial Loan and Discount Divisions, the Trust Department, the Investment Department, the Credit Department and the Comptroller's and Auditor's Divisions.

* * *

The First National Bank at Orlando, Florida, increased its common capital stock from $625,000 to $750,000 by a stock dividend effective March 9.

Retail Merchant Urges "Buy Now" Campaign

Max Hess, Jr., nationally known retailer of Allentown, Pa., urges National Retail Dry Goods Association to call public's attention to bargains now available.

Declaring that with few exceptions, commodities are at their lowest prices of the year, Max Hess, Jr., nationally known retailer of Allentown, Pa., urges the National Retail Dry Goods Association to undertake a nation-wide "Buy Now" campaign to call the public's attention to the bargains that are available.

Max Hess, Jr.

In a wire to Wade G. McCargo, President of the NRDGA, Hess who is President of Hess Brothers, Allentown department store, which did a $20 million volume last year in a city of only 106,000, wrote: "It's about time something was done to accelerate competitive selling. There's been too much talk of a recession and suggestions of what the government should do to stimulate our economy. There's no need for Federal aid in the form of new big public works programs or additional subsidies if private business helps itself."

Mr. Hess pointed out that he personally takes a very optimistic view of business. His proposed "Buy Now" campaign unlike the one accomplished 14 years ago is "not an emergency method to ward off depression" which he doesn't believe is in the offing but "rather a stimulant to offset the fear caused by recession talk."

As further proof against the presence of a recession, Hess stated his store volume was equal to last year and that when you take into consideration that Easter is two weeks later this year affording an extra selling period, his store and many others will find themselves ahead by Easter Sunday.

The main reason for a concentrated "Buy Now" drive, according to the Pennsylvania retailer, is to enable the consumer to take advantage of the rock bottom prices that exist in many fields.

"The NRDGA is in a position to conduct such a campaign quickly," added Hess, "and it is their duty to do so. Store members will certainly cooperate."

Retailers participating in a "Buy Now" drive should increase their newspaper advertising as well as appropriations in other media. "There's no use for stores to undertake a concentrated effort unless they are prepared to back it up with substantial advertising increases. But," added Hess "this increase is certain to pay off because there is nothing that the consumer likes better than a good bargain. All of us merchants have it for the public right now so why don't we get together and shout about it."

He asked the NRDGA to do two specific things: (1) Act as the spearhead for a "Buy Now" campaign and (2) Provide store members with advertising material to use in promoting the campaign.

"One doesn't have to be a learned economist," concluded Hess, "to realize that once you start a campaign of this kind, production and employment will take care of itself and the bogey men who keep crying about recessions and bad business conditions will run back into their dark closets . . . and at the same time John Q. Public and his wife will be getting the bargains they deserve."

Continued from page 13

Present Status of Commercial Financing

surance companies are in; they do not maintain a banking function that necessitates liquidity nor danger of a sudden demand for funds.

Furthermore, their obligations to their policy holders are payable chiefly in instalments, actuarily predictable. As long as they get higher yields, to maintain competitive premium rates, through dividend payments to their policyholders, they are satisfied.

It is important to note that the steadily growing popularity of insurance with men, who feel they can no longer rely on savings accumulation (after taxes) to provide for their families, has literally swamped the life insurance companies with millions of dollars, which they are finding more and more difficult to invest soundly and profitably. Hence, we are bound to see an increase of activity in this field rather than a lessening of it.

The Investment Banker as a Source of Long-Term Loans

Unlike the investment bankers of the twenties, the investment house, today, merely assists the prospective borrower to decide on the type and terms of his proposed loan. The investment banker's principal current activity is to market the loan for a fee. When the securities markets are very favorable, the investment banker, through his affiliated and associated broker outlets, sells the bonds to the public. Otherwise—particularly at this time — he makes a "private" or "direct placement" with one, or several, large institutional investors such as insurance companies, educational foundations, pension funds, investment trusts and the like.

The Secured Loan: In the field of secured loans, the most important, of course, is the advance secured by the real estate mortgage.

The sources for this type of loan are the commercial bank, savings banks, building and loan associations, insurance companies, mortgage bankers, investment trusts, Government corporations, investment bankers; and, of late, pension trusts and various types of funds.

Other Categories of the Secured Loan: Other categories of the secured loan are: First, **the equipment loan, secured by a title retention instrument of one kind or another.** The sources for this type of loan are finance companies, factors, investment bankers, commercial banks, and insurance companies. As far as finance companies and factors are concerned, this type of loan is usually extended in conjunction with an [over-all financing program] —where receivables are first utilized and if these funds are insufficient, additional funds are advanced, secured by a chattel mortgage on machinery and/or equipment.

The second category of secured loans are **loans based on an assignment of accounts receivable.** The sources for this type of loan are commercial finance companies, commercial banks, factors, and U. S. Government corporations.

Loans against accounts receivable have found ready acceptance among businesses which have a greater volume than their invested capital can support; and whose owners can't—or don't want to—attract new risk capital.

Finance companies and factors can furnish financing to companies, in this category, at a cost they can pay with profit, not only to the finance company but to themselves. If a careful study doesn't bear out the likelihood that this will be the case, the typical commercial finance company will decline the application. We shall discuss this type of financing, more at length, but first, I would like to go into some detail about factors and commercial finance companies.

Factors and Commercial Finance Companies

The field of commercial financing, as practiced by commercial finance companies, is entirely in the realm of secured financing. This form of financing, of necessity, utilizes various legal devices that have been developed over the years. Legal instruments, of course, are essential concomitants of this type of financing, ranging from the factor's contract—essentially a sales contract — through the contract to assign accounts, which is the mainstay of the commercial finance company; and a number of other legal devices such as the Conditional Sales Contract, the Chattel Mortgage Contract, the Trust Receipt, the Bailment or Lease Contract, the Contract of Guaranty, the Warehouse Receipt, the Letter of Credit, and others.

Commercial finance companies, rarely, if ever, extend unsecured loans. Factors, on the other hand, quite often extend unsecured loans. This, of course, is in contradistinction to bank lending where the reliance is placed chiefly on the unsecured loan, and where the secured loan is the exception rather than the rule.

History of Factoring

With reference to the background of factoring, factors, as you know, have a tradition of many, many years of service. James Talcott, Inc., the company I am associated with, celebrated its centenary this year. Several other factoring companies are even older.

Historians point out that the commercial factor was known to the ancient Romans, at least to a limited degree. They tell us that the factor achieved prominence during the early colonial period of the British Empire. Trade with the colonies required the English businessman to select a dependable agent in the colonies, or send one of his own choosing to take up residence there. The principal would then entrust his goods to the factor in the colonies; the factor would proceed to select his own customers; make the sales; retain an agreed commission; and forward the balance to his principal in the mother country. The legal effect of the transaction was similar to what we know today as a pledge. Title remained in the principal until the goods were sold, but the factor acquired possession and a lien on the goods to assure the payment of the commission.

Those of you who read Mr. Foulke's excellent monograph, "The Story of the Factor," which was published last year by Dun & Bradstreet, will recall his account of how the Pilgrims financed their epic journey across the Atlantic Ocean, and their settlement at Plymouth in 1620, through the services of English factors. I will not go into the details or the ramifications of this particular agreement other than to say it was a secured financing

arrangement, and it demonstrated how important the factor was in those times.

As a matter of fact, much of the early development of the colonies, Canada, the Indies and many other places in the world were facilitated by factoring companies like the East India Company, the Hudson Bay Company, and others.

At that time, then, and for some time thereafter, a factor was regarded generally as a selling agent, and the word was used frequently in the importing business, the textile industry, and in the marketing of agricultural commodities. The term "del credere agent" was commonly used to express the obligation assumed by factors, when selling on credit, to hold themselves liable if the purchaser failed to pay; and "del credere commission," accordingly, defined the increased compensation chargeable by the factor as a result of the extra risk thus assumed.

Eventually, the selling activities of the factor evolved into and were supplanted by the specialized financing and credit functions of the modern factor. The complete change-over occurred in the decade before World War I when the factors succeeded, by legislation, in removing the requirement of possession by the lender, in secured inventory financing arrangements.

This was accomplished by means of the 1911 amendments to Section 45 of the New York Personal Property Law. By these amendments, and for the first time, there came into existence a workable plan whereby a manufacturer, or processor of goods, could pledge his stock-in-trade as security for a loan; and, at the same time, retain possession of the pledged materials for use in his business.

It is hard to believe, but it is a fact, that the new law in New York was not readily appreciated by those, in other states, who should have recognized its potential. For over a quarter of a century (from 1911 to 1938), Section 45 of the New York Personal Property Law remained the only legislative enactment of its type in the country. However, in recent years, the legislatures of the more commercially minded states began to pass similar legislation and, at the present time, 23 states have enacted what has come to be called a Factor's Lien Act.

The Commercial Finance Company

The Commercial Finance Company began in this country about 1904. The factor, as I pointed out before, was already in the business of buying accounts receivable from his clients without recourse, and it seemed there was not very much more that could be done with respect to financing accounts receivable — other than to buy them outright, as the factor was doing. The difficulty attending the buying of accounts receivable was that the debteor had to be notified that the account had been assigned to the factor and was payable only to the factor. The procedure was not understood outside of the textile industry, and consequently never gained much of a foothold in other industries. Even today, some 90% of the total volume of old-line factoring is still centered in the textile industry.

However, a certain John Little, who, incidentally, was the founder of the first commercial finance company in the United States, noted that while there was a great deal of resistance to the factors' method of financing, since it involved letting the customer know of the arrangement, there was no objection if the notification feature was eliminated. At about the same time, due largely to the expanding mechanization of industry, a need arose for elastic financing techniques to meet mass wants.

John Little decided to do some pioneering by conducting a secured financing business on a non-notification basis. Instead of buying the accounts outright, as the factors did, he offered to make an advance on the accounts receivable. His immediate success in this field caused many more companies to open offices for the purpose of doing a similar commercial finance business; and I might add, that many of them have grown to rather large size and are still performing their useful commerical function.

It took many years to perfect the proper techniques for this new type of financing. It took a still longer time to overcome some misapprehension that arose relative to this type of financing.

To show to what entent this misapprehension has been removed, let me quote from a recent publication issued by the San Francisco Credit Association.

The article is entitled: "Memoirs of an Old Credit Man."

"Just one more change in the method of doing business is probably very evident to you since you see more and more notices of your customers financing their accounts receivable.

"In the old days, we used to feel that any one using this type of financing was just one step away from bankruptcy. Nowadays, however, there are a lot of substantial and well managed businesses that profitably use this type of credit.

"Maybe you might think that receivable financing is very expensive, but actually, the cost to the borrower is, in most cases, comparable to unsecured credit. According to one of my banker friends, this is because receivable loans have the interest computed on average daily balances borrowed. This fluctuates to a very great extent, as most of them borrow heavily around the 10th to pay you and then, as checks come in, the loan reduces so that the average borrowing probably does not exceed two-thirds of the peak.

"Accounts receivable financing is here to stay—why not learn to live with it!"

W. W. Romaine Opens

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ohio—William W. Romaine is engaging in a securities business from offices at 2344 Signal Hill Road under the firm name of William W. Romaine & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The annual report of the Insurance Company of North America is one of the most informative and interesting of the major insurance groups.

The Company is among the leading underwriters in the fields of fire and casualty risks and because of the widespread interest in this business, the report is read for its comments and interpretations on events in these fields.

A review of the investment results and changes in security holdings is also informative to investors. Insurance Company of North America with an investment portfolio of over $500 million of which close to 58.6% is invested in preferred and common stocks, provides an interesting example of changes in equity holdings by a large fund over the course of a year. In addition the Company gives an informative discussion of the investment of new funds which is helpful to analysts and managers of investment funds.

With respect to underwriting operations in 1953, all major fire and casualty lines produced a statutory underwriting profit. The principal changes in this field included a decline in the profitability of straight fire insurance and the recovery of the casualty business to a point where it returned a profit in contrast to the losses experienced in recent years. The changes in most other lines were nominal with gains in some offsetting small declines in others.

For the Group as a whole a statutory underwriting profit of $12,297,407 was earned in 1953 as compared with the $11,019,022 reported in 1952.

Investment income also showed a gain. The total for 1953 amounted to $18,720,303 as against the $17,515,260 reported in the previous period, an increase of 6.9% for the interval.

Federal income taxes of course were higher, the accrual rising to $8,895,000 last year from $8,240,000 in 1952. This left net operating income of $22,122,710 for 1953 as against $20,294,282 in 1952 and above the previous record of $21,700,000 reported in 1949.

Concerning investment operations the placement of new funds is interesting. For the year there was a net addition over and above redemptions, maturities and reinvestment of $27,380,700 as compared to $35,359,000 for the prior year.

The largest amount was added to U. S. Government securities with approximately as much in State and Municipal bonds. The other large addition was in public utility preferred stocks.

The distribution of new investment funds or net reductions last year and for 1952 among various classes of securities was as follows:

Bonds:	1953 $	1952 $
U. S. Government	10,928,500	10,838,044
State, County and Municipal	9,730,300	17,203,578
Canadian Govt. and Other Bonds	277,900	712,111
Total Bonds	20,936,700	28,753,733
Preferred Stocks:		
Railroad Guaranteed and Preferred	—1,036,100	—489,472
Public Utility	5,881,600	3,895,344
Industrial and Miscellaneous	—473,300	—1,029,640
Total Preferred Stocks	4,372,200	2,376,232
Common Stocks:		
Railroad	155,800	880,872
Public Utility	2,412,600	3,101,864
Industrial	—1,233,600	—196,933
Bank	737,000	443,441
Total Common Stocks	2,071,800	4,229,244

As pointed out in the report, the rapid and substantial changes in money markets during 1953 made it advantageous to concentrate the bulk of new investments in fixed income securities such as Government and Municipals. The purchase of public utility preferred stocks were made because of the advantageous yields. This was essentially the same policy as pursued in the previous year.

It is interesting to note that there was a net reduction in the investment in industrial common stocks. Among the larger sales on reductions were Allegheny Ludlum Steel, Anaconda Copper, Devoe & Reynolds Class B, Electric Auto Lite, National Distillers, New Jersey Zinc, J. P. Stevens, Underwood, U. S. Shoe Machinery, Westinghouse Airbrake, and Westmoreland Coal. Some additions or new commitments were made in Aluminium Ltd., American Viscose, Firestone, Goodrich, Hercules Powder, Honolulu Oil and Lees, (James) & Son.

The largest holdings of the INA group continued to be concentrated in such issues as Humble Oil, Standard Oil of New Jersey, Sun Oil, Gulf Oil, and Christiana Securities.

Continued from page 6

Who's Afraid of Gold and Why?

present situation. That was without exception the blackest page in our financial history. That was an arbitrary and capricious procedure, supposedly to raise the price structure and to relieve the debtor of his full obligations. It had no basis in the law of supply and demand as far as gold was concerned. The manipulation was possible because the government had practically cornered the gold market. It remained for the spending and taxing and easy money policies of subsequent years to dissipate the wealth of the nation and accomplish the original purpose. And now, with the price structure high because of the greatly expanded money supply and a government debt which has soared from $22 billion to $275 billion, we cling to the fiction of a 59 cent dollar as though the soundness of our dollar depended upon it whereas the exact reverse is true.

The $35 price has actually undermined the soundness of our dollar. This it has done by discouraging the production of gold and by driving it away from our shores and into hiding right at a time when it is needed to provide a broader base for the greatly expanded supply of paper money. That the price is unrealistic should be obvious to anyone who will study the facts. Why else has the gold production of the world declined from around $1¼ billion annually to around $800 million annually during the last 10 years? And did you know that up until five years ago the amount of gold absorbed by the various governments of the world for monetary purposes closely paralleled the yearly production of new gold? How can you explain the fact that, during the last five years, less and less gold has found its way into governmental channels, and that last year government stocks of gold actually declined $100 million while $800 million was being taken out of the ground? How else can you explain the fact that all our domestic production of gold was purchased by industry last year? None of it was taken into our own so-called monetary stock. How else can you explain that the gold hoard at Fort Knox is only $150 million larger than 10 years ago, during which time some $8 billion in gold has been produced in the world? Does this look like we are "holding the bag," and like the United States is the only buyer, as some would have you believe? That a large part of that $8 billion has gone into hiding and into the hands of speculators, is a scathing indictment of our foolhardy monetary policy at a time when we should be leading the world back to a sound currency basis.

The arbitrary $35 price for gold has not only undermined the soundness of our dollar directly, it has undermined it indirectly by acting as a coverup to mislead and confuse the whole gold price issue, and thus postpone the return to a sound dollar. Some well-intentioned people who believe in sound money are calling for a return to the gold standard at the $35 price for gold, with the idea that there has been enough tampering with our dollar and that the gold stock is sufficient to resume specie payments. This is highly questionable, considering the extent to which confidence has been undermined by a continuance of extravagant government spending on a war-time scale with no apparent intention of a return to sanity.

That such a move would be hazardous should be plain enough from the evidence cited above that the $35 price is completely out of line with realities. But why be afraid of a free gold market to reveal the facts and establish the proper price? There is ample precedent for such a procedure. We were faced with the same problem after the Civil War when the greenbacks were issued. Did John Sherman, who was then Secretary of the Treasury, abhor the thought of gold going up in price in terms of greenbacks? Did he yield to the great hue and cry that only the speculators and the gold miners would profit by a free market? Did he entertain any notions that either he or anyone else should have a free hand to regulate the money supply in case there should at any time be unemployment? Did he pretend that he or anyone else was wise enough to keep the purchasing power of the dollar the same from one year to the next? No. He knew the only honest money was money redeemable in gold. And that means "hard" money. He recognized the necessity of a free gold market to reveal the truth about irredeemable money. He recognized the function of gold to guide the nation back to a sound currency basis. So, a free market was opened and gold sold as high as $50 an ounce. As confidence returned this premium narrowed. When the date was finally set for resumption of specie payments the premium had disappeared entirely and no one presented any paper money for gold. To the far-sightedness of such men as John Sherman, succeeding generations owe a debt of lasting gratitude.

Right here, it might be helpful to consider seriously England's mistake in returning to gold at a lower price than was indicated by a free market. When the Pound Sterling was decontrolled and a free market for gold opened in late 1919, gold immediately sold at a premium of 50%. As confidence returned this premium narrowed down, and during the year previous to England's return to gold, in 1925, it hovered around 10%. Instead of recognizing the lower value indicated for her money by this higher price for gold in the free market, her leaders, through pride or otherwise, disregarded this verdict of the free market. They took it upon themselves to fix the price of gold at the lower level which prevailed before the war and thus arbitrarily upvalued the Pound Sterling. This meant that immediately her goods were that much higher in price to the foreigner who must buy English money with his own money. England has been on the defensive ever since, trying to maintain employment in her export industries and trying to protect her gold reserves. Some high English authorities have since recognized this blunder, but too late to correct a deteriorating economy. This should be an object lesson to those in this country who believe we can go back on gold at $35 an ounce without even considering the verdict of a free market.

What informed person who believes in sound money and who has the future good of his country at heart can honestly believe that the opening of a free gold market should longer be delayed? Note that in the above instances there was no delay in recognizing the function of gold to reestablish the value of the currency and restore confidence in it as soon as the wars were over. We have not only fought the most costly war in all history but we have continued to dissipate our substance at a war-time scale for eight long years and no end is in sight. There will be an end, but it will be complete bankruptcy unless we soon recognize the danger of our present course. And make no mistake about it.

Bankruptcy means the wiping out of all debts through worthless currency. Yes, it means government bonds will become worthless, mortgages will become worthless, savings will be wiped out, pensions will be gone, and social security too. These are all only obligations to pay legal tender dollars.[1] It is a tragic thing that the "con" game of money magic can fasten its hold upon a people to the point where running paper through a printing press can establish value to a paper money irrespective of the quantity issued. There was a time when people viewed with alarm the suggestion that the administration in power had plans to extend the WPA to a world affair. That was when the nation's budget was $4 billion a year. There were predictions of a 10 cent dollar and the capital levy, or money confiscation, which would be hung around the necks of the American people, in that event. Yet, no one at that time could have believed that the nation's substance would be thrown away with such complete abandon. Now, we take it all as a matter of course. We are drugged by the transitory but exhilarating effect of an increasing supply of dollars based on I O U's which can never be paid off. We are led, or rather misled, to believe that these dollars can retain their value irrespective of the quantity issued, and that we must abhor all thought of gold having a greater scarcity value than that fixed 20 years ago by the flip of a coin.

We are even told in a recent bulletin of one of our big international banking houses, that "Any other course than holding firmly to the present gold price and value of the dollar should be banished from our thought," as adding more fuel to the fires of inflation. Again, we are told in so many words that if you do not accept the discipline of the paper dollar with its stated par value of 59 cents, and gold at $35 an ounce, as a stable standard of value, there is no point in having a standard at all. It is contended that if you allow gold to go up in price you are changing the standard. Just how distorted can reasoning become anyway? Is it any wonder that the poor American Citizen is confused when those to whom he would natrally look for guidance go to such lengths to mislead him? Where is the discipline in an open-end dollar with no call on gold and one which therefore gives license to such government extravagances as we have had during recent years? After all, is it the gold which is going up, or does it only appear that way because the paper dollar has gone down in value? If you are on a raft in the middle of the lake and the raft begins to sink would you say the level of the lake was going up or does it only seem that way because you are sinking? Does the sun go up and down or does it only seem that way because the earth is moving? Don't be taken in by the ruse that paper money with no tie to gold can ever be a stable standard of value.

We are also expected to believe that a higher valuation or an increase in our gold stock would be inflationary. Why would a broader base for our greatly expanded paper currency be inflationary if it were used as a real backing for the dollar instead of a theoretical one as at present? After all, it is the uncertainty of the present value of the dollar and the doubt about its future which fans the

[1] A careful reading of the fine print on a $10 or $20 bill is suggested.

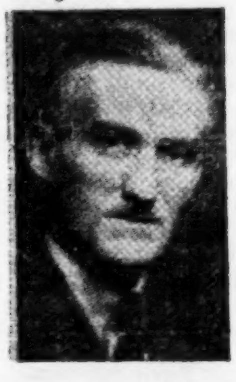
fires of inflation. The Federal Reserve has ample powers at its disposal to counteract any unwise expansion of loans to business if they should occur as a result of a larger gold stock. In fact, it would seem that this is the only way they will ever be able to get out from under their present vast holdings of government bonds which have been such a dilemma. Just as the operation of the Federal Reserve in buying government bonds monetizes the government debt by throwing more money into circulation, so the selling of these same bonds demonetizes the government debt by reducing money in circulation. Aside from all this, loans for business purposes can under no circumstances have the inflationary hazards of unlimited loans to the government. Business credit expansion liquidates itself but currency inflation never does.

Anyone who believes in common honesty in government should be eager to see gold function freely to disclose the present value of our dollar. There is nothing to fear in an initially higher price for gold under such circumstances. It is the necessary preliminary step to a return to an honest dollar. To say that a higher price for gold in terms of a paper dollar conceived in such dishonesty is inflationary and "unthinkable" is to be taken in by this hoax of a 59¢ dollar or it is to approve in its entirety the deliberate inflationary policies which have been pursued over the past 20 years and to call for their continuance indefinitely.

EDITOR'S NOTE: The foregoing is the first of two articles by Mr. Taylor on the gold question. The second article "Only a Free Market for Gold Will Save the Nation," will appear in a subsequent issue of the "Chronicle."

Wellington Hunter Forms Firm in Jersey City

JERSEY CITY, N. J.—Wellington Hunter announces the formation of Wellington Hunter Associates at 15 Exchange place to transact a general business in investment securities.



Wellington Hunter

Mr. Hunter, better known as "Duke," has been in the securities business since 1915 having started as messenger and quote boy on the old outside New York Curb Market. He remained outside until this market went indoors at their present location.

He then entered the over-the-counter field as a trader and has been a trader for such firms as Hanson & Hanson, Distributors Group, Ira Haupt & Co. and several other over-the-counter firms. In March, 1940, he formed Hunter & Co. and continued this business until December, 1951, although he also served as Vice-President of Aetna Securities Corporation for about one year in 1947 and 1948.

In December, 1951, Hunter Securities Corporation was formed to continue the business of Hunter & Co. Mr. Hunter was President of this corporation until January of this year when he resigned to form Wellington Hunter Associates.

He is an active member of the Security Traders Association of New York and a past officer having served as Treasurer for three years.

Dillon, Read Group Offers Texas Eastern Transmission Debs.

Dillon, Read & Co. Inc. headed an investment banking group which offered for public sale yesterday (March 24) a new issue of $17,000,000 Texas Eastern Transmission Corp. 4⅜% debentures due March 1, 1974. The debentures were priced at 100% plus accrued interest.

Of the proceeds from the sale, $5,000,000 will be used to prepay the company's outstanding bank loan due Dec. 31, 1954, an estimated $8,000,000 will be used to purchase securities of Texas Eastern Penn-Jersey Transmission Corp., a wholly-owned subsidiary, and the balance will be used for miscellaneous corporate purposes.

Penn-Jersey plans to construct a 24-inch natural gas pipe line extending approximately 265 miles from the Oakford underground storage fields in western Pennsylvania to a connection with Texas Eastern's system near Lambertville, N. J. The line, scheduled for completion by the fall of 1954, will have a daily delivery capacity of 204 million cubic feet. The entire project will cost an estimated $32,000,000.

Texas Eastern owns and operates a pipe line system extending from the Texas Gulf Coast area to New Jersey for the transmission and sale at wholesale of natural gas, supplying customers in Louisiana, Arkansas, Missouri, Alabama, Tennessee, Kentucky, Illinois, Indiana, Ohio, Mississippi, West Virginia, Pennsylvania, New Jersey and New York. The system includes approximately 4,545 miles of pipe lines and has a delivery capacity in its principal sales areas of approximately 1,200 million cubic feet per day.

The new debentures will be entitled to a sinking fund sufficient to retire about 97.3% of the issue prior to maturity. Optional redemption prices scale from 103.5% to 100%.

For the year ended Dec. 31, 1953, total operating revenues were $136,868,308 and net income was $10,239,911, compared with $93,894,236 and $7,868,284, respectively, for the preceding year.

Stone & Webster Adds P. J. Murphy Jr. to Staff

It is announced that Peter J. Murphy, Jr. has become associated with the syndicate department of Stone & Webster Securities Corporation, 90 Broad Street, New York City.

Joins Kenower, MacArthur

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich. — Ralph S. Kennedy has become associated with Kenower, MacArthur & Co., Bearinger Building. Mr. Kennedy was previously with the Michigan National Bank in Saginaw.

Maurice Hart 25 Yrs. With N. Y. Hanseatic

Maurice Hart

Maurice Hart, Vice-President of the New York Hanseatic Corporation, 120 Broadway, New York City, is celebrating his 25th anniversary with the corporation.

Louisiana Pwr. & Lt. Preferred Stk. Offered

Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane jointly headed a group offering for public sale yesterday (March 24) 70,000 shares of 4.16% cumulative preferred stock, $100 par value of Louisiana Power & Light Co. at a price of $102.21. The group bought the issue at competitive sale on March 23.

The company will apply the proceeds of the sale to pay in part the cost of its 1954 construction program which will cost an estimated $19,000,000.

The preferred stock is callable at the offering price plus a premium ranging from $4.50 per share if redeemed on or prior to Feb. 1, 1959 to $2.00 per share after Feb. 1, 1964.

Louisiana Power & Light, one of four operating subsidiaries of Middle South Utilities, Inc., is engaged principally in the distribution of electricity and natural gas in 46 of the 64 parishes (counties) of Louisiana.

Operating revenues went from $18,987,000 in 1949 to $28,330,000 in 1953, and net income from $2,610,000 in 1949 to $3,561,000 in 1953.

Gen. American Inv. Corp.

DALLAS, Tex.—General American Investment Corporation has been formed with offices at 1621 Pacific Street to engage in a securities business. Emmett J. Morrow is a principal of the firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Easy money conditions are being felt in the money markets because the commercial banks have been forced to cut loaning rates, while at the same time, the Treasury has been able to sell tax anticipation bills at a yield that was considered to be very much on the favorable side. The extent of the ease in the money market will be determined by the course of economic conditions which at the present time are pretty much on the defensive. As a result of the easy tone, there is no let up in the movement to extend maturities in order to help maintain the income of many institutions.

Intermediates Being "Accumulated"

The intermediate-term obligations have been under what is called "important accumulation." It is the larger commercial banks which are supposed to be the buyers of these securities. The longer end of the list is being taken care of, according to advices by the smaller commercial banks and public and private pension funds. There seems to be more of a tendency on the part of certain institutions now to shift out of the 3¼s of 1978/83 into the most distant 2½s.

Bank Rate Cut Sparks Market

The impact of the reduction in the prime bank rate from 3¼% to 3% on the money markets was not only sufficient to create a sizable demand for all Government issues, but it likewise brought with it lower rates for other loans that are being made by the commercial banks. It had been known for some time that there was a large amount of funds around seeking investment, and sooner or later, this surplus money was bound to have an effect upon the prime bank rate. As a matter of fact, the comment which was heard most frequently after the prime rate was broken from 3¼% to 3% was, "Why didn't it happen weeks ago?"

Effect on Bank Earnings

The powers that be have been keeping the money market on the easy side for a considerable time now, and one of the first places where such a development is usually reflected is in the loaning policies of the deposit banks, most specifically in the prime bank rate. There is no question but what the commercial banks were very reluctant to change rates, particularly as far as the prime rate is concerned, because changes in this rate have an effect upon all the other rates charged by these institutions. Also, in spite of the easy money conditions, which mean lower interest rates on larger holdings generally of Government obligations by the deposit institutions, earnings as a whole are not as favorable for the commercial banks as when interest rates are stable or rising.

Although the banks, because of a surplus of funds, make larger commitments in Government obligations and to a certain but more limited extent make purchases of corporate and tax free obligations, the acquisition of these other earning assets does not as a whole work out as well as far as income is concerned as when there are plenty of loans with interest rates firm to higher. On the other hand, to the extent that the commercial banks make purchases of Treasury issues, corporates and municipals, there will be a creation of bank deposits, which are purchasing power, and this is one of the important things which the monetary authorities are interested in keeping steady or have expanded, especially during a period of receding business conditions such as we are in now.

Change in Reserve Requirements Possible

The reduction in the prime bank rate may mean, according to some money market specialists, that a further reduction in the rediscount rate will be forestalled for a while. Likewise a lowering of reserve requirements will most likely be held in abeyance because of the cutting of the prime bank rate. However, these opinions do make this allowance, that there could be a reclassification of the central reserve cities as far as reserve requirements are concerned in the not too distant future.

Whether there will be further ease in the money markets, in the form of larger open market operations, a lower rediscount rate, and a reduction in reserve requirements will not be determined by the reaction to the reduction in the prime bank rate, but to the trend of business which is still on the downside. If the business pattern should continue to worsen, one thing appears to be certain and that is lower interest rates, brought about by easier money market conditions.

Non-Bank Activity Significant

Non-bank investors, according to reports, have been very much on the active side recently as far as the Government market is concerned. Switches and swops are being made by these institutions, with the net result that holdings of Treasury obligations by these investors have been lengthened considerably. It is indicated that the Vic's and the longest bank 2½s have been among the favored issues taken on by these long-term buyers. Pension funds, both public and private, have been among the important buyers of the most distant Governments, with the 3¼s of 1978/83 being sold in some instances in order to take on the lower priced 2½s.

Chicago Analysts to Hear

CHICAGO, Ill.—At its luncheon meeting to be held April 8, the Investment Analysts Society of Chicago will have for the topic of discussion the B. F. Goodrich Company.

Malcolm Johnson Opens

EL PASO, Texas — Malcolm Johnson is engaging in a securities business from offices in the El Paso National Bank Building under the firm name of Malcolm Johnson Investment Company.

LETTER TO THE EDITOR:

A "Sound" vs. "Stable" Dollar

Frederick G. Shull, although lauding ABA President's proposal to educate public on sound money, takes exception to Everett D. Reese's definition of "sound money," and states there has never been such a thing as "stable" purchasing power.

Editor, Commercial and Financial Chronicle:

Your issue of Feb. 25 carries an interesting article by Mr. Everett D. Reese, President of the Park National Bank of Newark, Ohio, and also President of the American Bankers Association — the title of the article being "Educate Public on Sound Money."

Frederick G. Shull

When my eyes lighted upon that title my first reaction was a sort of thrill that we now have the head of the ABA coming out for "sound money"; but on reading the views expressed by Mr. Reese I cooled off considerably. Let's see just what Mr. Reese had to say:

Following, are some of his statements which have my approval: Banks should "sell" their communities on . . . the advantages of sound money; the world is suffering from "creeping inflation"; "In this country, we have been going down the same road for the last 20 years"; "Yet we know that if our country's business life is to have a solid foundation . . . we must have a sound dollar." So far, so good; but from here, we part company.

Mr. Reese says: "In simple terms, sound money is a dollar that has the same purchasing power today, tomorrow, next week, and next month" — a definition almost identical with one pronounced by Secretary Humphrey a few months ago. But these gentlemen will find great difficulty in reconciling that "definition" of sound money with the published opinions of competent monetary experts of the past two hundred years — experts ranging all the way from Adam Smith right down to today's outstanding authority, Dr. Walter E. Spahr of New York University.

Mr. Reese has given, above, an excellent definition of a "stable" dollar; but it is far wide of the mark as to what constitutes a "sound" dollar. Can it be possible that Mr. Reese feels that the 20 years of "inflation" that we have experienced since the New Deal "debauched" the Dollar in the 1930's has had the result of bringing us to an "ideal" level of prices—that prices should be "stabilized" at present levels? No doubt producers of coffee, butter, shoes, automobiles, etc.—to name just a few commodities —would go along with that idea; but how about the dear old General Public? — particularly those who are living on fixed incomes based on prices that prevailed prior to 1933? Isn't it reasonable to suggest that some "recession" from the presently high price levels might be in order?

It is, perhaps, somewhat excusable for Mr. Humphrey—who, if I understand correctly, has not specialized in the banking field, and who, therefore, might easily fall into the error of confusing "soundness" with the "stability" of the Dollar; but when the head of the ABA falls into that error, it is indeed amazing!

Briefly expressed, a "sound dollar" is a dollar whose "value" is set in terms of a definite "weight" of gold, and is "redeemable," on demand, at that fixed "value"—as has held true for the greater part of our national history from 1789 to 1933; and the sooner our Governmental leaders and influential bankers recognize that definition of "sound money," and educate the public accordingly, the sooner we are likely to successfully combat "inflation" and get back to more-normal prices.

So far as I know, there never has been such a thing as a "stable" purchasing power for any currency; for, just naturally, and quite properly, the good old law of "supply and demand" enters into the "purchasing power" of any nation's currency. But when you come to a standard of measure — whether it be a 36-inch yardstick, a pound of weight, or an American dollar — once that standard has been set, it should "never" be tampered with.

Mr. Reese says: "Along with their own training programs, banks should encourage and take advantage of the wonderful educational facilities of the ABA and other banking organizations." In order to supplement their own "wonderful educational facilities," it might not be amiss if they would also draw on the "educational facilities" of the "Economists' National Committee on Monetary Policy" — an organization comprising some 70 of the leading economists of this nation.

Very truly yours,

FREDERICK G. SHULL,
Connecticut State Chairman of Gold Standard League

2009 Chapel Street,
New Haven 15, Conn.
March 22, 1954.

Teden & Co. Offer Stk. Of Mineral Water Firm

Teden & Co., Inc., of New York City, are offering publicly "as a speculation" an issue of 299,000 shares of common stock (par 10 cents) of Spa-King Mount Clemens Water Products Corp. at $1 per share.

The net proceeds will be used to pay certain obligations and to increase working capital.

Spa-King located at 34-24 Vernon Blvd., Long Island City 1, N. Y., was organized in Delaware on July 24, 1952, to acquire all of the assets of Mount Clemens Water Products Corp. of Mount Clemens, Mich., and Mount Clemens Products, Inc., of New York, consisting principally of its formulae and process for the manufacture of Mount Clemens mineral water into a tasty table water and mixer, as well as the registered U. S. trade mark "Spa-King" and of the trade marks "Spa-King" or "Spa-King Mount Clemens" registered in various states.

McDonald-Moore & Co. Appoints New Lansing Mgr.

LANSING, Mich. — McDonald-Moore & Co., announces the appointment of Walter J. Posey as their Resident Manager to succeed Ray Waller who passed away in January.

The company's office is located at 512 American State Bank Building. Mr. Posey recently moved to Lansing and will devote his entire time to the investment business. He has a broad experience in the security business which was briefly interrupted by a five year stay in the U. S. Army and a brief stay in Texas as a Public Accountant.

Public Utility Securities

By OWEN ELY

Columbia Gas System

Stuart Crocker, Chairman of the Board of Columbia Gas System, assisted by other top executives, recently addressed a large gathering of utility analysts at the Downtown Athletic Club. A brochure containing numerous tables and charts was made available, bringing the statistical picture of this huge system up to date.

Columbia has enjoyed tremendous growth, with gas sales increasing from 195 billion cubic feet in 1946 to 453 billion in 1953—despite the handicap of warm winter weather over the last two or three years, which has retarded house heating sales. Revenues have increased from $91 million in 1946 to $229 million in 1953.

However, the System has not done so well with net earnings as with sales and revenues; in fact net income last year was considerably lower than in 1947. In terms of share earnings the discrepancy was greater because of the increased capitalization, earnings having dropped from $1.36 in 1947 to 76¢ last year. The company in 1953 was only able to take down 5.7% of revenues compared with 15.4% in 1946. Even this 5.7% reflected a considerable amount of rate increases which are effective "under bond" and have not been finally approved by the Federal Power Commission and state commissions having jurisdiction. Looking at it from another angle, the company in 1953 was able to earn only 4.4% on its average capitalization and even this low rate included some contingent earnings.

This unfortunate condition is due mainly to "regulatory lag." In recent years, due to the construction of major new pipe lines, the demand for natural gas taken from the southern and mid-continent fields has greatly increased, with the result that owners of the gas have been encouraged to raise field prices (which in general are not regulated by state or Federal commissions). Beginning in the latter part of 1951 and running into 1953, increases were placed in effect by the five wholesale gas companies which supply Columbia (Tennessee, Texas Eastern, Texas Gas, Panhandle and Hope) in amounts which raised operating costs about $26 million on the 1953 annual basis. Another increase is expected this year.

Columbia Gas, which purchases a large proportion of its gas requirements, has thus been "squeezed" between this rapid increase in the field cost of gas and the regulatory delays in obtaining compensating increases in rates charged to its customers. "To put it mildly," Chairman Crocker stated, "there has been a chaotic condition in rates during the past two years, but I believe that some of the difficulties are now being eliminated. Escalator clauses are being included in tariffs which will operate automatically to compensate our companies for increased gas purchase costs. For example, we have such an escalator clause in many of the local ordinances in our important Ohio communities. We are planning for rate filings in Pennsylvania and New York which will have escalator provisions." The Federal Power Commission has now provided for a simplified form of rate filing, which is considered an improvement.

Despite the continued problem of regulatory lag, particularly with respect to the large backlog of rate increases pending before the FPC, the regulatory picture at Washington has improved over the past year. The Commission has now allowed a return on original cost rate base of about 6¼% in two important cases of Columbia subsidiaries—United Fuel Gas and Atlantic Seaboard—and considerable progress has been made with two other important cases, leaving two others still to be settled.

In addition to its rate troubles, Columbia has been dogged by "bad weather," that is weather warmer than normal. Four out of the last five years have averaged above the so-called normal temperature by as much as two degrees—seemingly small, but important from the angle of gas consumed for house heating.

Despite disappointing earnings, the company has decided to proceed with a huge expansion program in order to take care of the large unsatisfied demand for gas. The System now has about 100,000 space heating applications on file and additional customers will convert to natural gas when it has available supplies. To meet this program Gulf Interstate Gas Company, a new and non-affiliated company, is building a pipe line to serve the Columbia System, scheduled to be completed on November 1 this year. This line will increase Columbia's firm supply of southwest gas about 30% and solve most of its present problems with respect to gas supply.

However, receipt of this gas involves a heavy construction program for improving facilities for storage, transportation and distribution over the large area served by the System—in 1954 this will involve an estimated expenditure of over $108 million. In addition, $25 million bank loans will be due September 30. Thus the company estimates that some $130 million of financing will be required. Instead of issuing additional common stock at this time, Columbia has decided to sell $50 million subordinated debentures, to be convertible beginning January 1, 1955.

At the recent SEC hearings on this financing, Treasurer Crissman submitted an estimate of net income for 1954 of $20.5 million, and for 1955 of $24 million. Based on the present outstanding 18 million shares, and with no allowance for future conversion of the new debentures, these amounts would be equal to $1.14 and $1.33 a share, respectively.

The stock is currently selling around 13¾, to yield about 6.5%, based on the 90¢ dividend paid in the last two years (three quarterly payments of 20¢ and a final payment of 30¢). It appears likely that the dividend will be maintained.

Nat. Union Fire Ins. Stock Offered at $30

National Union Fire Insurance Co. of Pittsburgh, Pa., the country's 28th ranking company from the standpoint of net premiums written in fire and allied lines, is offering to holders of its capital stock of record March 19, rights to purchase an aggregate of 200,000 additional shares of capital stock. The new shares are priced at $30 per share and are being offered at the rate of one additional share for each two shares held of record. At the expiration of the subscription period on April 19, 1954, an investment banking group headed by The First Boston Corporation will purchase any unsubscribed shares.

Dividends on the company's capital stock have been increased in each of the past five years with current quarterly payments being at the annual rate of $2.00 per share. At the conclusion of this financing, there will be 600,000 shares of capital stock outstanding, the company's sole capitalization.

Proceeds from the sale will be added initially to the company's general funds in order to provide additional capital to meet increased volume of premium writings, to maintain the competitive position of the company and its two subsidiaries and to broaden the companies' business when desirable.

The company and one subsidiary, Birmingham Fire Insurance Co. of Pennsylvania, write fire, marine and allied lines of insurance in most of the 48 states while a second subsidiary, National Union Indemnity Co. is engaged in the casualty and surety business in 14 states. Net premiums written by the company and subsidiaries in the year 1953 totaled $34,730,000. Consolidated earnings for the same period amounted to $3.87 per share compared with $2.97 per share in 1952. Total consolidated assets at the 1953 year-end increased to $65,501,000 from $61,515,00 a year earlier.

Continued from first page

In Defense of Congressional Investigating Committees

tigatory powers have been exercised by Congress. Its investigations have included policies, practices and personnel and embraced all governmental agencies. In the performance of its constitutional duties Congress has impeached or forced the removal from office of high officials in every department of government, Executive, Administrative and Judicial. Others have resigned because of its exposures. Its powers of investigation have been exercised both in respect to agencies of its own creation and those expressly created by the Constitution. It has abolished existing Executive and Administrative Bureaus and established new ones in their place. It has re-defined and on occasion both enlarged and limited the powers of such agencies. It has both established and abolished Federal courts, granted new and exclusive jurisdiction previously exercised by courts long in existence. It has, in some instances, at a later date, restored such jurisdictions. It has placed on trial in impeachment proceedings both a President and a Justice of the Supreme Court. These two offices were established by express provision of the Constitution.

All these things fall within the constitutional powers of Congress. And it is pertinent to inquire how Congress could intelligently or wisely exercise its powers either of terminating old agencies or establishing new ones except through adequate investigation — and enquiry? Or its powers and duties of impeachment or of appropriation? How will it know that an existing agency of its creation is performing its duties, that another is not and should be terminated? Or that the powers of another should be limited or extended or its personnel strengthened? Must it accept the word of the agency itself or the advice of others?

The Constitutional Mechanism

Misconception in respect to Congressional Investigations and Congressional conduct may readily arise from over-simplification of the Constitutional mechanism. Such over-simplification has led many persons to suppose, quite erroneously, that the sole Constitutional function of Congress is the passage of or refusal to pass measures submitted to it for consideration. To this erroneous conception may be added another, equally without foundation, that the Executive and Judicial arms of the government are all of Constitutional origin and Constitutionally free from Congressional control. Neither of these things is true.

It is true that the functions of government may be broadly classified under three headings: Legislative, Executive and Judicial. These are natural and logical divisions. They were recognized and utilized by the framers of the Constitution. Thus Article I establishes and defines the powers and duties of the Legislative arm; Article II the Executive, and Article III the Judicial. But to suggest that all executive and judicial agencies were constitutionally established and exist under the provisions of that instrument is untrue. Almost the exact contrary is true as will be revealed by the most cursory examination. The Constitution makes express provision for a Chief Executive, Justices of the Supreme Court and diplomatic officials. Only these. It then expressly provides that it shall be the duty of Congress by lawful act to establish and maintain such other executive and judicial offices as it deems essential to the proper administration and enforcement of its laws.

Thus with the exception of the offices just named the entire Executive, Administrative and Judicial establishments exist by act of Congress and have no existence save through such acts. Their powers are derived from such acts and limited and defined by them. The existence of the several agencies or of any of them may be terminated by Act of Congress or their powers enlarged and extended. They are, in short, creatures of the law, live by the law and under it, and cease to exist when their non-existence is decreed by law. Even the Supreme Court was made subject to certain Congressional powers as I shall point out, while the Constitutional prerogative of appointment by the President and of Treaty-making, can be exercised only with the advice and consent of the Senate.

A cursory survey of the day by day functioning of Congress demonstrates the comprehensive nature of its Constitutional powers and its continuing exercise of them.

If a new cabinet office is desired or additional executive or administrative departments in any branch of the government, it is not the Executive who establishes them. Congress alone is empowered to establish them, and define and enumerate their powers. If additional Federal Judges and Courts are deemed desirable it is not the Supreme Court or Department of Justice which establishes them. It is Congress; in which body reposes full Constitutional power respecting the lower Federal Judiciary, the scope of its jurisdiction, the rules governing its practice and procedure, the places where the Courts shall sit and the pay and expenses of the Judges and Court functionaries. And although the Supreme Court, as I have pointed out, is a Constitutional body, the Constitution did not leave it wholly independent of Congress. Its membership, originally fixed in number by Congress, can be increased only by Act of Congress. Its pay and that of its officers is fixed by Congress. Even its jurisdiction is subject to a degree of Congressional control. The provision respecting such control reads as follows: "In all the other cases before mentioned the Supreme Court shall have Appellate Jurisdiction both as to Law and Fact **with such exceptions and under such regulations as the Congress shall make."**

In a word that which has preceded may be condensed into the statement that our government is one of law, not of men. Having provided a law-making body of two houses each responsive to the people, and so selected as to assure a measure of checks and balances, the Founders delegated to that body not only the exclusive power to enact laws **but the power to set up and maintain such Executive and Judicial mechanisms as it deemed requisite for their proper administration and enforcement.** I have enumerated the few limitations upon this broad power.

Executive and Judiciary Subordinate to Congress

I have called attention in some detail to the comprehensive Constitutional powers of Congress over the Executive and Judicial arms of the government. My purpose has been to demonstrate how lacking in substance is the suggestion that Congressional duties end with the passage or rejection of proposed legislation. Or that in exercising its powers of investigation as described it is invading the province of the Executive. I wish to make it clear that under the Constitution the Judicial and Executive agencies of the government with the slight exceptions named are subordinate to the laws of Congress from which laws they derive their existence and power.

I now invite consideration of another power expressly granted to Congress. It is a power which more than any other establishes and maintains the overriding supremacy of Congress in our entire scheme of Constitutional government. I refer to the power of the purse. To Congress the Constitution grants the exclusive power of taxation, appropriation and expenditure. No executive or judicial department of the government may lay or collect taxes, pay or collect debts or appropriate or authorize the expenditure of public moneys. These powers repose solely in Congress. It would be superfluous to more than suggest that the very existence of the government itself and of any branch of it is embraced within this supreme power over the public revenues and expenditures.

The powers and duties of Congress are carefully enumerated in 18 paragraphs of Section 8 of Article I of the Constitution. Much of the recent criticism of Congressional committees wholly ignores these powers and the correlative duties they impose. Many of the critics seem wholly unaware of them. A not inconsiderable number doubtless are. Many examples of this might be cited. I will call attention to but one.

When a Senatorial Committee investigating trade with the enemy and seeking the means to bring such trade to an end recently announced that it had persuaded certain ship owners residing in New York to discontinue the traffic, a great public outcry was raised. Sarcasm and invective were leveled at the committee though its act certainly was in the interest of our forces fighting in Korea and might reasonably be supposed to meet with public approval as it doubtless did. But the cry was that the committee had arrogantly invaded the province of the Secretary of State. A criticism having less merit could scarcely have been devised. **The control and regulation of commerce is one of the expressly enumerated powers of Congress.** It is not and never has been within the province of the Executive. As to the Secretary of State, there is no mention in the Constitution of such an official or office. The office exists by Congressional act as an aid to the President.

I now return to my original premise that I do not share the belief that Congressional investigations into the conduct and personnel of Executive and Administrative agencies should be discontinued. And, if necessary, I would willingly rest my case upon the premise that the continuing Constitutional duties of Congress as outlined above demand that it keep itself fully informed respecting the conduct and practices of the agencies it has created and for the continued existence of which it alone is responsible. That duty it owes to the people who must live under these agencies and submit to their dictates and decisions. It has neither the Constitutional nor moral right of abdication nor neglect in its performance. Once Congress abdicates this power or is negligent in its exercise we may expect our rights and our liberties to be swiftly shorn from us. The history of mankind makes it clear that it is not by elective Parliaments that human liberty is destroyed but by ambitious executives and bureaucrats who either overthrow the parliaments by force or win their supine subservience by corruption or guile.

However, since the manner in which the power has been exercised is also under attack, I turn to consider that question, after which I am through.

The Question of Investigating Methods

The criticism of what has been termed the "methods" of the committees has been leveled primarily at those investigating Communist infiltration into governmental, educational and other quasi-public institutions. It began with the first of the investigations and has never ended. It has been continuous, bitter and violent. One may be pardoned for thinking it not without interest that this criticism began with the first investigation of Communist infiltration under Congressman Martin Dies and despite many changes in the personnel and party membership of committeemen, has never ceased.

How much of this criticism is justified? The answer is to be found in the records of the interrogations and the resulting revelations. I recognize the impossibility of busy persons personally reading this voluminous record. But it must also be recognized that this very fact opens the door wide to those who for any reason wish to create false beliefs respecting the investigations and the manner of their conduct. Having personally read the entire record of the McCarran Committee and a great portion of the records of the other committees, I propose to present my impressions. I can urge in their support a long experience in the examination and cross examination of witnesses, familiarity with the rules of evidence and the practice and procedure of courts. Also familiarity with the rights and privileges of witnesses. Among these I include the right to be treated with civility, to be questioned fairly and accorded the right of consulting with counsel whenever desired respecting questions of privilege.

My impression is that taken as a whole the criticism of the conduct of the interrogations is devoid of merit. Considering the number of witnesses, the volumes of testimony, the exceptions to this conclusion are negligible. Most of the criticism is in form of generalities. Seldom is there specification either of questionable interrogation or comment, though in the few instances in which there seems some ground for complaint specification has been prompt.

Much of the criticism appears to be predicated upon false impressions. Often, no doubt, created in the minds of well meaning persons by the calculated and purposeful circulation of falsehood or distortion. In part it has doubtless resulted from lack of news space or radio time for adequate coverage of far distant hearings. The official records I have read disclose no lack of consideration for the convenience or legal rights of witnesses, though it is of course obvious that those claiming the privilege against self-incrimination were there unwillingly.

All were accorded the privilege of consulting counsel who sat at their side. It was a privilege frequently exercised as the record discloses. The record also discloses that many of the witnesses were discourteous and evasive, not a few insolent and contemptuous, some abusive to an extent no court would have tolerated.

There are at times expressions of impatience upon the part of committee members but these are more than offset by instances of almost unbelievable patience and toleration. On a few occasions there are expressions of anger. These were not limited to any member or any party affiliation. I do not approve them though the provocation was often great and at times purposeful. I merely say that human nature being what it is, under all the circumstances, including the conduct and behavior of witnesses, the continuous abuse of the committees and their personnel by groups of publicists as well as by resentful bureau heads the number of such outbursts is few. These committee members are no less human beings than those they examine.

Although I consider them sufficient it is not alone upon the Constitutional powers of Congress and the failure of the record to disclose a pattern of improper conduct that I rest my case for the committees and their work. I propose as addition to offer the resulting disclosures. I suggest that in these disclosures is to be found compelling proof of the wisdom of Congress in instituting and carrying on the inquiries.

And perhaps the reader will not think it wrong if I speak first of the possibility that some of the violent abuse to which the committees have been subjected has origin and support in other than motives of pure altruism. The violence of the abuse, its long continuance, its concentration against whatever persons of whatever party at the moment hold chairmanship of the committees marks it as beyond the range of ordinary partisan controversy. Such characteristics might reasonably give rise to skepticism. This is particularly true when one considers the purpose of the investigations and the disclosures which have resulted.

As example, is it possible to suppose any investigation, however conducted, could hope to hold the good opinion of persons disclosed by it to be engaged in a secret criminal conspiracy. Or of their friends or secret sympathizers. Or to suppose the investigators could hope to be free from attack by them? Such disclosure not only bares the secrecy so essential to success of their enterprise but the criminal nature of their activities as well. To bring the investigations to an end and destroy or discredit those conducting them must therefore become the prime objective of the conspiracy. In this effort there will be regard neither for person nor party membership. Their enterprise cannot succeed in the light of day. All sources of light must therefore be darkened. The one source they fear most is, of course, the Committees.

It must also be borne in mind that standard weapons of the Communist are falsehood, slander and deception. In the employment of these they make use of secret friends and sympathizers, some of whom have been discovered in strange and hard to understand places. Also of well meaning persons whom they are able to deceive.

To suppose that such a campaign against these committees would not be waged is to believe the leadership of the movement to be lacking both in intelligence and enterprise. There is nothing to sustain this belief and I do not accept it. On the contrary I think the Country has witnessed precisely such a campaign and is still witnessing it.

But one may go into other fields in search of motives. Human nature and political ambitions and partisanship being what they are, an investigation is not likely to be highly regarded by public officials under whom a secret conspiracy against the government is disclosed to have existed undisturbed. And the same may be said of officials shown to have negligently promoted or protected subversive personnel after having been officially notified in formal written reports of their criminal activities. What I have just said is not a modern concept of human reaction. The pertinent query,

"Has wretch e're felt the halter draw with good opinion of the Law," is of ancient origin.

The Disclosures

And now to the disclosures, which should be considered in the light of an important fact, namely that the Country's highest judicial tribunals have adjudged the Communist movement, of which the Communist party of the United States is part, **a criminal conspiracy.** It is not to be confused with "Political Parties" as that term is used in our speech. Though to conceal its true character it has adopted that name, it is not a political party.

It is, as the courts have determined, a conspiracy. Membership is carefully concealed from the public and its operations are conducted in secrecy. In view of its criminal nature secrecy is essential to success. Its objective is the overthrow of lawful governments throughout the world and substitution of illegitimate governments deriving their powers, not from consent of the governed, but from force and violence. Its preliminary methods are deception, duplicity and subversion and, in preparation for the day of violence, organization of trained and disciplined secret Fifth Columns unsuspected by the people. Falsehood is described in its official tenets as a virtue when uttered in promotion of its ends. Its culminating act is violent seizure of power supported by assassination, organized terror and mass murder. All deemed capable of organizing or leading resistance are destroyed.

By these methods the conspiracy has already succeeded in the overthrow of legitimate governments and the enslavement by armed minorities of willing but helpless peoples. So threatening is the conspiracy considered that our government has deemed it necessary to wage a war against it on foreign soil, to appropriate billions annually in strengthening other governments and to establish and garrison military bases throughout the world. In support of such measures it has taxed the American people to the limit of their endurance. This is the background against which the work of the committees and their disclosures must be appraised.

Under the circumstances is it to be suggested that knowledge respecting the movement in our own country is not important? What progress has it made here? Is it active? Is it well financed and by whom? Has it full time paid agents? If so, who are they? What are they doing? Has a disciplined Fifth Column been established here? If so, who are its members? From what classes of people do they come? Are schools of violent revolution and insurrectionary street fighting being conducted in the Country? If so, where? How and by whom is recruitment being carried on? Have agencies of government been infiltrated? Of education? Of public entertainment? Of publishing and book reviewing and selling? Are its members engaged in espionage on behalf of an unfriendly foreign power? Prior to Congressional action were the Executive agencies of the government informed in respect to these matters? **If so, what action, if any was taken to safeguard the interest of the Country?**

Certainly these questions were and are of pertinent interest to Congress as well as to the people it represents.

The disclosures already made public afford an answer to some of them. Here are a few:

It has been disclosed that a high ranking policy making official of the State Department was for several years an active member of the conspiracy engaged in transmitting secret documents and information of the highest importance to agents of an unfriendly foreign state. That this official was sent as confidential advisor to the President in his negotiations with the head of that state, negotiations which brought disaster to the American people.

That a high official of the Treasury was a secret agent of this power, regularly transmitting to it highly classified intelligence from his own and other departments of the government. It was also shown that he formulated financial policy according to its dictates and interest and contrary to his own government's interest. The direct loss incurred by the American people from one isolated act of this official has been estimated at not less than $350 million, the money passing to this power without consideration.

That officials lower in rank but occupying highly confidential places in Executive and Administrative departments were secret members of the conspiracy under discipline and direction of the agents of the same foreign government. Some of these were designated as confidential advisors of cabinet members and traveled abroad with them to attend International Conferences of the greatest importance.

It was disclosed that full information respecting the conspiratorial activities of each of these individuals had been transmitted by the Federal Bureau of Investigation to their superiors prior to their promotions, with no action whatever except promotions being taken.

That American citizens placed in important positions in the United Nations by State Department officials were likewise disciplined members of secret cells of the movement.

That secret and actively functioning conspiratorial cells existed among the teachers of public schools, particularly those in large cities along the Atlantic Seaboard where riot and insurrection might more readily be organized.

That among the professors of colleges and universities, including some of the oldest and most distinguished, similar conspiratorial cells had existence and functioned secretly under direction and discipline of the conspirators. This is one of the saddest and most incomprehensible of the disclosures.

That secret members had succeeded in installing themselves as heads of important labor unions, often in defense plants, thus placing themselves in position to render invaluable assistance to an enemy, or in the instigation and fomenting of insurrection and sabotage.

That successful penetration on a large scale had been made into the fields of public entertainment, publishing, editing and book reviewing and selling; thus aiding in the dissemination of falsehood, the concealment of truth and the defamation or professional destruction of all who, either in government or out, attempt to expose the activities of the conspirators. Formerly successful writers found themselves boycotted through this conspiratorial mechanism, a thing hitherto unknown in this country.

That in the government printing office to which secret documents and codes were sent for printing there existed a cell of the conspiracy and although the administrative head was offered, by the Federal Bureau of Investigation, a list of 40 witnesses to its treasonable activities, including the theft of codes and secret documents, not one of the 40 was called for questioning and the cell permitted to exist. It was brought to an end only the day the committee publicly exposed the situation.

That great charitable foundations enjoying tax exemption had contributed large sums, in a single instance fore than a million dollars, to an agency found by the unanimous report of a Senate committee after full investigation to be an articulate instrument of the conspiracy. Another such foundation elected a man as its President who is now serving a prison term for falsely denying treasonable misconduct.

That espionage on a nationwide front was carried on by agents of the movement employed in highly secret production of arms and munitions, the secrets of the atom bomb being among their thefts. For this act two members were convicted and executed.

It was also disclosed that schools of revolution, espionage and sabotage had functioned at regular intervals through the country while members under false passports were sent to Moscow for additional training in such schools. Upon completion of this training they were returned to active duty in the conspiracy in the United States.

These are not insignificant disclosures. They evidence a well financed design intelligently conceived and boldly executed. No vital spot is neglected. Nor can it be said that little progress had been made. For such a conspiracy to plant its agents in high policy making positions in the Departments of State, Treasury and lesser administrative branches of government: to procure their designation as confidential advisors to the Chief Executive and cabinet officers in important conferences with the chief conspiratorial nation, are not unimportant achievements.

Add to them seizure of leadership of nation-wide trade unions manning the nation's greatest munitions plants; the organization of secret cells among the teachers of the public schools and among the professors of great national universities and in the nation's entertainment and publishing institutions. Add to this the successful planting of spies in the country's most secret research laboratories and the prompt dispatch to alien agents of the design of the atomic bomb.

Add the fact that although its agents were in numerous instances exposed in written reports by the chief intelligence arm of the government, they were nevertheless promoted to higher and more important positions; that in the government printing office, despite a report of the Federal Bureau of Investigation offering to supply 40 witnesses to the presence of a named espionage agent and his theft of codes and secret material, no witness was called and the agent retained in the service. Consider also the achievement of placing an agent in the Presidency of one great charitable foundation and securing more than a million dollars from another.

If the state of affairs revealed through these disclosures did not demand Congressional action it would be interesting to know what state of affairs would.

W. Hummer to Admit Becker As Partner

CHICAGO, Ill. — Wayne Hummer & Co., 105 West Adams Street, members of the New York and Midwest Stock Exchanges, on April 1 will admit George R. Becker to partnership. Mr. Becker has been with the firm for many years.

With Harris, Upham

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Louis F. Boerner has been added to the staff of Harris, Upham & Co., 523 West Sixth Street.

Ragsdale Director

Irvin T. Ragsdale

Irvin T. Ragsdale, a Vice-President of The Robinson-Humphrey Company, Inc. and a partner in Robinson-Humphrey & Co., Atlanta, member of the New York Stock Exchange, has been elected a director of Columbia Baking Corp. of Atlanta.

Rudd, Kristeller Co. To Be Formed Apr. 2

WASHINGTON, D. C. — Rudd, Kristeller & Co. will be formed as of April 2 with offices at 1010 Vermont Avenue, N. W., and 11 Wall Street, New York City. Partners of the new firm which will hold membership in the New York Stock Exchange, will be Adrian Ralph Kristeller, the Exchange member, Irving G. Rudd, Leo Sade and Hugh D. Hite. Mr. Kristeller will make his headquarters in New York City.

Goodbody Adds to Staff

(Special to The Financial Chronicle)

FLINT, Mich.—Robert J. Cameron is now with Goodbody & Co., Mott Foundation Building.

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As We See It

that despite them, despite the fact that they were carried by the President himself to most of the firesides of the nation, despite the universally recognized personal popularity of the President, and notwithstanding the utmost behind-the-scenes effort exerted in its behalf, the measure in question was able to survive in its original form by only a slim majority in the House, and obviously faces a stormy career in the Senate where it has now gone for consideration and action.

The explanation is, of course, in part found in the fact that, as the President puts it, "this is an election year." We have become so accustomed to this sort of behavior of the politicians when facing an election that we tend to take it with something akin to oriental fatalism. The circumstance that an approaching test at the polls should have such an effect upon the individuals to whom we have entrusted the management of our political affairs is worthy of much more study than is ever given to it. How does it happen that the proximity of an election lends such strength to a measure or a general course of action which almost any intelligent man or woman should easily recognize as hazardous and unwise?

Roots Are Deep

The roots of the difficulty go far back into our history, probably back into the history of democracies or semi-democracies which preceded our own appearance upon the scene. At any rate its elements were present and well recognized by competent observers long before the turn of the century. Lord Bryce, a great friend of this country, who was able to view the scene here with the detachment of a great thinker from abroad, described what he had seen about him while British Ambassador at Washington for many years. At one point he had this to say about the pressure groups of that day and time:

"No small part of the business of Congress is what would be called in England private business; and although the individual railroads which come directly into relation with the Federal Government are not numerous — the great transcontinental lines which have received land grants and other subventions are the most important—questions affecting these roads have frequently come up and have involved large amounts of money. The tariff on imports opens another enormous sphere in which legislative intervention affects private pecuniary interests; for it makes all the difference to many sets of manufacturers whether duties on certain classes of goods are raised, or maintained, or lowered. Hence the doors of Congress are besieged by a whole army of commercial or railroad men and their agents, to whom, since they have come to form a sort of profession, the name of Lobbyists is given."

That lobbyists of this type still abound today is, of course, a commonplace, but meanwhile other types using different techniques have developed. The fact that they are now often termed "pressure groups" need not obscure or confuse the issue. While doubtless it is still true in particular cases at least that "the jingle of the guinea heals the hurt that honor feels," another type of reward for conforming politicians has come sharply to the fore in recent years. Payment for services is now commonly made in votes—under the skillful if not particularly admirable maneuvering of the late President Franklin Roosevelt, actual payment in this coin became for a time at least quite well assured.

Always, but . . .

Of course, there have always been a great many more voters with small incomes than with large. There have always been more individual farmers than men of large affairs in industry, trade and finance. There have always —or nearly always—been demagogues who screamed to high heaven about the alleged needs of the "little man," or as is more popular now, the "common man," and the *soi-disant* friends of the "underprivileged" have traditionally been as indifferent to the basic soundness of their claims in his behalf as is the case today. We should like to believe that the ordinary run of men and women in this country were shrewder in older times than they are today, and hence less susceptible to the harangues of the demagogues, but the facts hardly warrant such a notion. In one way or another by design or otherwise the masses have become far more thoroughly organized, and have through the decades perfected ways and means of making themselves politically effective. They have not only made themselves more effective in making their demands of the politicians, but they have themselves become in much larger degree the victims of their own system and their own demagogues.

Two outstanding examples of rapid development of organization are, of course, to be found in agriculture and among wage earners of the country. What might be regarded as a more or less inherent conflict of interest between the two has somehow been rendered less of a deterrent to joint action than would be expected—a result which appears to have been promoted markedly by the political legerdemain of President Franklin Roosevelt. It is no accident that one of the major factors in the current tax debate is organized labor, and it is not without significance that the farmers, or many of them, are demanding continued largesse. The possibility of another effective joint endeavor of the two groups seems to the politician much too great for comfort.

There is little question that the professional politicians in the same circumstances a half century or a century ago would have acted about as they are acting today. This fact does not, however, in any way reduce the seriousness of the problem by which we are faced today when any real effort at statesmanship is eternally threatened by this new type of effective "lobbyist."

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Rise of Consumer Credit In the National Economy

long a period is permitted to retire the debt. Under the pressure of increasing volume, terms sometimes weaken. Failure to exercise our leadership under such conditions and a reluctance to insist on the maintenance of sound lending principles are detrimental not only to the banks, but also to the consumer for whose financial welfare we have an important responsibility. We cannot afford ever to confuse the objective of seeking a large volume of this credit with the far greater and more commendable objective of soundness in terms, in rates, and in the ability of the borrower to pay.

Banks Must Assume Leadership In Sound Consumer Credit

If we neglect this responsibility and fail to stand firmly for sound principles in the extension of consumer credit, regardless of competition and the fluctuating pressures of the business cycle, we might later have an unfortunate deterioration in the terms under which consumer credit is extended. It would affect all lenders and would also affect large groups of consumers directly and personally. As bankers having a larger volume of this credit than other lenders, we must accept the responsibility of leadership which is ours, and we must courageously adhere to sound principles regardless of the stress and strain of competitive forces.

Second, as bankers we need a far more comprehensive understanding of the functions of consumer credit in the national economy. It is clearly apparent that every banker must understand thoroughly the mechanics of consumer credit. Terms, rates, security, and the ability of the borrower to pay are fundamentals in the daily extension of consumer credit, of which no banker can plead ignorance. But no less important is the responsibility of the banker to understand the part consumer credit plays in the over-all functioning of the national economy. The mass production in great industries employing millions of persons is inseparably related to the sound extension of consumer credit. The ability of tens of millions of our people as they earn to consume the great flood of durable goods that flow from our factories is interwoven with the consumer credit we extend.

What effect does consumer credit have upon the business cycle? Does it extend or amplify a period of prosperity? Does it extend or deepen a period of business decline? Does it tend to lessen the fluctuations in the business cycle, and does it stabilize the economy? Does it provide a needed stimulant when the economy has reached the bottom of a downward trend and has just started upward? What relation do the terms and rates we grant have on business booms and declines? Precisely how, and to what extent, has consumer credit raised the standards of living of the people? Does it tend to increase consumer purchases for better and more lasting goods? These are complex and difficult economic and banking problems. But they are our problems. They require something more than a shallow knowledge of this great field of credit.

From time to time, consumer credit has been subject to control by government regulation. Candor compels one to state that we have not always analyzed this subject critically and frankly. Is a selective credit control of this kind ever desirable—or is it undesirable in our economy? Ought credit controls ever to be used to police competition? What are the arguments for and against such selective controls? Our analysis of this subject also needs to be something more than superficial, and bankers generally should give the subject the long and sustained consideration it merits.

In conclusion, our responsibility for consumer credit involves the savings and income, and also the happiness and economic welfare, of multiplied tens of millions of persons. It reaches into hundreds of great industrial and business enterprises. It plays a large role in the creative processes of mass production which have given the nation the industrial leadership of the world. I am certain that we shall bring to our discussions here the determination to meet that responsibility fully and competently.

Brockhaus Men in New Connections

CINCINNATI, Ohio—Announcement has been made of the dissolution of Edward Brockhaus & Co., Inc., members of the Midwest and Cincinnati Stock Exchanges.

George C. Riley, President of the firm, will become a limited partner in Harrison & Company, Union Trust Building, members of the New York Stock Exchange, with which firm Cletus H. Ollier will also be associated. James R. Heekin is now associated with Field, Richards & Co., Union Central Building, specializing in municipals. David Littlejohn is with Westheimer & Co., 324 Walnut Street.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Winton G. Rossiter to Frederick D. Remsen will be considered by the Exchange April 1.

Charles Gerard Dodge will retire from partnership in Cohu & Co. April 1.

A. W. Seligman With McCleary in Florida

Alvin W. Seligman

ST. PETERSBURG, Fla.—McCleary & Co., Incorporated, 556 Central Avenue, member of the New York Stock Exchange, announces that Alvin W. Seligman has become associated with their sales department. Mr. Seligman has recently been a partner in Kaufmann, Alsberg & Co. of New York and prior thereto of Seligman, Lubetkin & Co.

Hulburd, Warren Joins Fahnestock Co.

Hulburd, Warren and Chandler, Chicago security and grain dealers, will join Fahnestock & Co., New York City investment firm, about May 1, it is announced. The combined operation will continue as Fahnestock & Co.

Both firms are members of the New York Stock Exchange, Chicago Board of Trade, and other exchanges. Fahnestock has 12 branch offices in the United States and offices in London, Paris and Caracas, Venezuela. Hulburd, Warren and Chandler has 10 branches in middle western cities.

Thomas B. Walton, general partner of Fahnestock & Co. in Chicago for 7 years, will continue in charge of the Chicago operation. DeForest Hulburd and Hulburd Johnston of the Chicago firm will become special partners. Samuel J. Smith and Gustaf M. Benson will be co-managers of the Chicago office and Frank J. Young, manager of the grain department.

In Chicago, the only location where both firms have offices, the Hulburd, Warren and Chandler office at 208 S. La Salle Street will be closed and Fahnestock & Co. quarters at 135 S. La Salle Street expanded. The two firms have been associated in business for more than 15 years. Fahnestock & Co. has cleared New York Stock Exchange and Commodity Exchange business for Hulburd, Warren and Chandler. Hulburd, Warren and Chandler has cleared grain business for the New York firm on the Chicago Board of Trade and stock business on the Midwest Stock Exchange.

The joining of the two firms gives both broader geographical coverage and a wider range of services for customers. Fahnestock & Co., one of the oldest members of the New York Stock Exchange, was founded in 1881. The present senior partner is William Fahnestock, Jr., New York City, a son of the firm's founder.

In addition to its out of town and foreign branches, Fahnestock & Co. maintains two branches in New York City. While the firm primarily deals in New York Stock Exchange business, it also is active in commodity dealings.

Hulburd, Warren and Chandler was founded as Hulburd, Warren and Co., a grain brokerage firm, in 1880. It later expanded its activities into the securities field and became a member of the New York Stock Exchange in 1907. About half of its revenues still are derived from the grain trade.

All offices of both firms in cities other than Chicago will continue in operation. Most of the personnel of the combined firms will be retained.

Securities Salesman's Corner

By JOHN DUTTON

He Has a Story and He Tells It!

The advertisement reproduced here has been reduced in size from the original which appeared March 16, in the Miami "Herald," Miami, Fla. The original was three columns wide and full page in depth. It cost considerable money to place an advertisement of this size in a metropolitan newspaper, but if any financial advertisement should produce a sufficient number of qualified leads in order to make it pay, I believe this one will do so. Let's analyze the good points of this advertisement.

It Grabs Your Attention

Look at the layout—notice the heading — "Only 97 Days Ago" — it stimulates your curiosity to read further. Then it hits right out "Note the increase in value" (listed since Dec. 8, when the same ad was run in Birmingham). Then the question, "Have you any investments that have increased this much in value?" Well, have you? Most people will say, "What's this?" Let's read further.

Meet Mr. Murray L. Smith

Note where Mr. Smith enters the picture—right at the beginning of this ad. Before you've read further you meet him. Under his picture you note the small type which explains his business (Life Insurance Stock Specialist). This is a different approach to financial advertising, isn't it? But why not? If you are going to be asked to consider some of Mr. Smith's recommendations (and no doubt it will be by mail, since you are likely to live in Miami and he is in Birmingham) let's have a look at his face?

Then You Are Qualified

If you are interested in capital gains the ad tells you why these life insurance stocks have appreciated in value. And in addition it gives you **examples.** Not just one or two stocks but over a dozen of them. First comes a listing of the increase in value with dividends not included during the past 97 days. Then the second listing of six life insurance stocks that have appreciated from 1000% to over 3000% during the past 15 years and less. The ad gives you the figures in **dollars** and in language you can understand.

The Hook

Next come the reason for these profits, and the simple statement that ought to be obvious to any educated American citizen, even if the NASD and the SEC seem to think otherwise, namely "WE CANNOT GUARANTEE THE FUTURE PERFORMANCE OF ANY STOCK." The signature is headed by Mr. Murray L. Smith of Carlson & Co. and in the coupon a free copy of a booklet "Build Yourself a Fortune," is offered. From here on the leads will no doubt be followed, and it is my guess that if this advertisement is any sample of the merchandising ability of Mr. Smith and his firm, that this will also be done effectively and well.

I would be very interested to know the actual results from this ad. It is my opinion that when the day comes that more investment firms step out and tell their story in this kind of language, the sooner they will be able to afford to hire and train good salesmen who can follow the leads that will be developed.

Conclusions

Obviously, it is possible to write factual advertising that tells the story of past performance of a group of securities, without running afoul of the NASD and the SEC and their regulations, **providing you offer a booklet or tell a generalized story.** I am no legal expert on these things, but so it appears to me. Therefore if it's leads you want, and you wish to qualify the type of lead, use this approach. Here is an ad that is seeking out people who might be interested in obtaining capital gains. The same idea can be used for any other investment objective — steady income — defensive investments—consistent savings—speculation—or what have you.

Recently I was talking with one of the most successful real estate brokers in this country. This lady had built an organization in a large mid-western city that handled millions of dollars worth of real estate over the years. She retired and then decided to enter the investment business selling mutual funds. When she read the SEC prospectus, and she saw the tombstone ads that the present statement of policy of the NASD make mandatory, she threw up her hands in astonishment. She said to me, "Do you mean I have to give one of THESE THINGS to some uninformed investor when I offer him mutual funds? I think this is ridiculous. They don't understand this gibberish written by lawyers who never sold anything in their lives. And do you mean I can't sell these funds on PAST PERFORMANCE? What else is there to sell? In the real estate business we never sold business or industrial property for investment purposes EXCEPT ON PAST PERFORMANCE. No wonder you people are knocking your brains out trying to interest people in securities and funds. You're so hedged in by legal restrictions that they've strangled your merchandising and selling effectiveness." Those are not my words—they are right out of the experience of one of the best saleswomen I ever met. She has a record in real estate to prove it.

I can only add—my congratulations to Carlson & Co. and Murray L. Smith. If they can do this kind of advertising why not more of it?

Lehman Bros. Group Offer Utility Shares

A purchase group headed by Lehman Brothers offered yesterday (March 24) 200,000 shares of Utah Power & Light Co. common stock at $37.45 per share. The group was awarded the issue at competitive sale on March 23 on a bid of $36.82½ per share.

Net proceeds from the sale of the common stock, and from the proposed sale of $15,000,000 principal amount of first mortgage bonds, due 1984, will be added to the company's general funds and will be available for any corporate purposes, which include capital expenditures for construction. It is the intention of the company to apply a portion of the net proceeds from the sale of the common stock and the 1984 series bonds, toward the payment of $10,000,000 of short-term bank notes, issued in connection with the construction program.

Utah Power & Light Co. is engaged principally in generating, transmitting, distributing and selling electric energy in southeastern Idaho, northern and central Utah and in southwestern Wyoming. It is also engaged, to a limited extent, in providing central steam heating service in the commercial district of Salt Lake City, Utah.

Total operating revenues of the company for the year ended Dec. 31, 1953 aggregated $30,062,440 and net income of $4,803,970 was equal to $2.61 per share. In the previous year, total operating revenues amounted to $26,158,211 and net income was $4,689,146, equal to $2.54 per share.

Tuesday, March 16, 1954 THE MIAMI HERALD 12-A

ONLY 97 DAYS AGO

— on Dec. 8, 1953, we ran this same advertisement in the Birmingham, Alabama newspapers.

Note the increase in value of the securities listed at that time.

Have you any investments that have increased this much in value during the last 97 days? And remember — LIFE INSURANCE STOCKS ARE AMONG THE SAFEST AND MOST STABLE OF ALL SECURITIES.

MURRAY L. SMITH
Life Insurance Stock Specialist

Systematic investment of your savings in good life insurance stocks offers a wonderful opportunity, today, to build personal and estate capital gains. Life insurance stocks are one of the few investments that still provide pyramided earnings.

Examples of Increase in Value —Dividends NOT Included

Guaranty Savings Life Ins. Co.	Price, '48, $ 2.00	Dec. 8, '53, $ 17.50	Today, $ 18.00
Mutual Savings Life Ins. Co.	Price, '50, $ 2.00	Dec. 8, '53, $ 5.50	Today, $ 6.50
Ohio State Life Ins. Co.	Price, '49, $ 21.00	Dec. 8, '53, $ 67.00	Today, $ 86.00
Lincoln National Life Ins. Co.	Price, '51, $ 72.50	Dec. 8, '53, $180.00	Today, $222.00
Kansas City Life Ins. Co.	Price, '51, $150.00	Dec. 8, '53, $660.00	Today, $715.00
Travelers Ins. Co.	Price, '50, $410.00	Dec. 8, '53, $805.00	Today, $985.00
Southwestern Life Ins. Co.	Price, '52, $ 48.00	Dec. 8, '53, $ 84.00	Today, $ 98.00
Southland Life Ins. Co.	Price, '50, $ 39.00	Dec. 8, '53, $ 90.00	Today, $116.00
Eastern Life Ins. Co.	Price, '52, $ 11.00	Dec. 8, '53, $ 21.00	Today, $ 33.00
Aetna Life Ins. Co.	Price, '51, $ 49.50	Dec. 8, '53, $ 87.50	Today, $106.00
Connecticut General Life Ins. Co.	Price, '50, $ 64.00	Dec. 8, '53, $203.00	Today, $275.00
Protective Life Ins. Co.	Price, '51, $ 26.00	Dec. 8, '53, $ 43.00	Today, $ 50.00
Old Republic Credit Life Ins. Co.	Price, '51, $ 7.00	Dec. 8, '53, $ 23.00	Today, $ 27.00
American Life Ins. Co.	Price, '52, $ 12.50	Dec. 8, '53, $ 24.50	Today, $ 24.50

These are typical short-term profits to be had from life insurance stocks. Earnings can be increased tremendously by holding stocks for 10 or 15 years and allowing cash and stock dividends to accumulate, as shown by the examples below.

Examples of Appreciation of a $5,000 Investment

Jefferson Standard Life Ins. Co., $5,000 invested in 1944— Now worth $51,051.50

Life & Casualty of Tenn., $5,000 invested in 1942— Now worth $80,700.00

Liberty National Life Ins. Co., $5,000 invested in 1938— Now worth $316,165.00

Lincoln National Life Ins. Co., $5,000 invested in 1942— Now worth $136,665.00

Franklin Life Ins. Co., $5,000 invested in 1944— Now worth $205,560.75

Old Republic Credit Life, $5,000 invested in 1948— Now worth $47,695.00

How can life insurance companies earn such profits? Principally because no money is invested in plants, machinery and equipment, their investments are sound and no merchandise inventories are carried. Although the performance of legal reserve life insurance stocks has been phenomenal, and in our opinion there is no reason to suppose that they will not continue to be high grade investments, we cannot guarantee the future performance of any stock. However, due to normal increase in population, the basic need for life insurance, continuing rise in living standards, decreasing mortality due to better health habits, living conditions and medical techniques, we believe the life insurance business offers the investor as sound an opportunity for continued appreciation as can be found.
For full details and for information, clip the coupon below and send for your free booklet.

FREE BOOKLET BUILD YOURSELF A FORTUNE

MURRAY L. SMITH
Life Insurance Stock Specialist
Carlson & Co.
INVESTMENT BANKERS
2023 First Ave., N. Phone 3-3118
Birmingham, Alabama

MAIL THIS COUPON TODAY

Murray L. Smith,
Carlson and Company,
2023 1st Ave., N.
Birmingham, Ala.

Please send me a free copy of "BUILD YOURSELF A FORTUNE."

NAME ....

ADDRESS ....

CITY .... STATE ....

Build a fortune with life insurance stocks

Mutual Funds

By ROBERT R. RICH

THE BOOM ATMOSPHERE IN Canada has reverted to a more normal and more solid economic environment, according to a current study issued by the investment management department of Calvin Bullock.

"Contrary to some unduly appraisals, the year 1954 will be an excellent year for Canadian business," the study states, "and the long term prospect is for a greatly expanded economy, which is more important to long term investors than any temporary speculative boom.

"The best overall indicator of the Canadian economy is the Gross National Product, which in 1953 reached a new peak of $24.2 billion, up 5.2% from 1952 and about double the 1946 figure.

"Canada's industrial production is well above its wartime peak, standing at 251.2 in November compared to 212.4 in 1944.

"Despite the expansion of the economy, the Canadian stock market declined in 1953. Within the generally poor market, certain groups, such as pulp and paper, food and retail stores and finance companies, enjoyed a favorable performance. We feel that the Canadian market will be an increasingly selective affair, in contrast to its boom atmosphere of 1951 which carried the entire Canadian market to unwarranted levels.

"A high Canadian source estimates that capital expenditures in 1954 will be 3% above the previous record. In later months this should remove most of the present seasonal unemployment.

"We believe that the proper approach to an appraisal of Canada's investment prospects is to consider her long term growth potentialities. Estimates based on a 25-year trend places the population in 1980 at 25 million people, an increase of two-thirds over the present figure. More important, it is estimated that industrial production will be increased by 167%.

"This would insure a stronger Canada, less dependent on foreign trade, and able to benefit by greater use of mass production methods."

DALLAS' NEW investment trust, Southwestern Investors, Inc., passed the $1,000,000 mark in assets last week as the trust completed its first month in business.

Jerome K. Crossman, Chairman of the Southwestern Investors Board, commenting on the Fund's rapid progress, said yesterday: "We believe that we have established a growth record which will stand for a long time. Our assets more than doubled during our first week in business and have continued to increase at the rate of more than 100% a week ever since."

Southwestern Investors, Inc. shares were first offered to the public on Feb. 8. Assets then totaled $210,000; the offering price per share was $10.81. On March 8, assets totaled $1,057,000, and the offering price had risen to $10.86.

CONFIDENCE in the continuing prosperity of the American economic system was stressed today at the 28th annual meeting of Incorporated Investors, one of the country's leading investment trusts, by Chairman of the Board William A. Parker and President Charles Devens. It was reported that the Incorporated Investors fund now totals over $140,000,000 with 47,000 stockholders and investments in a diversified list of common stocks selected for growth of capital and income.

Elected to the Board of Directors were: George D. Aldrich, William A. Barron, Jr., William H. Chatfield, Charles P. Curtis, George C. Cutler, Charles Devens, Raymond Emerson, Francis W. Hatch, James H. Lowell, Amory Parker and William A. Parker.

AMERICAN BUSINESS and finance are taking a favorable turn, declared Harold X. Schreder, executive Vice-President of Group Securities, in a recent series of talks to large public gatherings in Illinois.

"While we are not yet out of the woods, there are definite signs of a reviving confidence in private ownership as government recedes from its paternalistic policies.

"Latest available figures reveal that total consumption of goods and services is at an all time high, and at an annual rate of about $3 billion above production. Similarly, industry's spending for new equipment and expansion is also at a very high level.

"The ultimate consequence must be a long-term advance of the prices of common stocks of our leading industries as stock prices have lagged far behind the advances in other aspects in our economy.

"For example, since 1939 both national production and personal income have increased over 300%, net earnings of all corporations by nearly 400% and dividends paid by these corporations by 150%. Yet a study of all stocks on the New York Stock Exchange shows that on average stocks are selling at prices only about 50% above those attained in 1939.

"The American public has lagged in its ownership of American industry. The increase alone in personal liquid assets above the level of 1939 is $150 billion. This is 1.4 times the current value of all stocks listed on the New York Stock Exchange.

"America appears to be on the threshold of its greatest period of prosperity and I expect increased recognition of the investment opportunities available through broadening ownership of American industry."

CHEMICAL FUND, Inc., a mutual investment company with diversified holdings in the chemical industry, passed $60 million in net assets on March 19, according to an announcement made by F. Eberstadt, President. As of the close of business, net assets of Chemical Fund stood at $60,374,000, a record high in the Fund's 16-year history.

THE COMPLETION of arrangements for the distribution of shares of the mutual investment company, Television-Electronics Fund, in the United Kingdom of Great Britain and Northern Ireland was announced by Paul A. Just, Executive Vice-President, Television Shares Management Corporation, underwriters and managers of the Fund.

Under the arrangements, the Street Securities Company Limited, of London, is appointed exclusive agent for the distribution of the shares in Great Britain, Northern Ireland and Eire.

The appointment is the second to be made by sponsors of the Fund in Europe. In August, 1951, shares of the Fund were qualified for distribution in Holland and quickly attracted a following among Dutch investors.

Mr. Just said that the successful distribution in Holland had prompted the sponsors of the Fund to investigate the possibilities of distributing the shares in several other European countries. The initial results of that investigation, he pointed out, are reflected in the appointment of a London distributor.

"In Great Britain, Northern Ireland and Eire," he observed, "we believe initially that shares of the Fund will appeal especially to the substantial investor who usually can be expected to be well informed on the extensive possibilities for growth in the American electronics field. This was our experience at the outset in Holland."

Television-Electronics Fund, created in 1948 with assets of $112,500, now has total net assets in excess of $34 million.

AMERICAN BUSINESS Shares Inc., a balanced fund, reports that at the end of the first three months of its fiscal year on Feb. 28, 1954, net asset value of each share of capital stocks outstanding was $4.12, as compared with $3.97 three months earlier on Nov. 30, 1953. Cash, bonds and preferred stocks accounted for 48.44% of the portfolio and common stocks for 51.56%.

During the period the following securities were added: Appalachian Electric Power bonds, Narragansett Electric preferred stock, and the common stocks of Deere & Co. and Electric Storage Battery. The following were eliminated: Bonds: American Tobacco, Commercial Credit, General Motors Acceptance, International Bank, Pacific Gas & Electric, and Pere Marquette Railway; Common stocks: American Gas and Electric and Pittsburgh Consolidation Coal Co.

WELLINGTON COMPANY, national distributors of the conservatively-managed Wellington Fund, has just completed a revision of its "Facts & Figures" folder.

The revised folder, now being distributed, charts the 15-year investment results for Wellington Fund on three different bases.

AN INDICATION that many corporate executives are anticipating a satisfactory rate of business and profits is to be found in the favorable dividend action taken during the first two months of 1954, according to a study made recently by Calvin Bullock, investment managers for Dividend Shares, Inc. and other mutual funds.

Twenty-four companies whose stocks are included among the investments of Dividend Shares have increased their dividends in the first two months of 1954. Those investments represent approximately 25% of the net assets of Dividend Shares on Dec. 31, 1953. These companies represented units in the public utility, paper, merchandising, chemical, tobacco, steel, metals, and petroleum fields.

MASSACHUSETTS Investors Growth Stock Fund, reporting as of Feb. 28, 1954, shows record high figures in total net assets, number of stockholders and shares outstanding. Assets were $45,459,212 compared with $41,752,272 a year ago, number of stockholders increased to 18,261 from 16,377 and shares outstanding increased to 2,484,150 from 2,365,467 last year. The net asset value per share, exclusive of a capital gain payment of 26 cents in December, was $18.30 compared with $17.65 at Feb. 28, 1953.

The Fund's 85th consecutive quarterly dividend amounting to 16 cents per share is being paid March 25 to stockholders of record Feb. 26. It compares with a dividend of 14 cents for the same period last year.

Changes in the Fund's investments for the quarter ended Feb. 28 included purchases of 9,200 Ford Motor, Canada, Ltd. "A"; 10,000 Stromberg-Carlson Company and 10,000 Traders Finance Ltd. "A"; and sales of 10,750 Dow Chemical Co.; 22,000 Marathon Corp.; 20,000 Masonite Corp.; 20,000 Rayonier Inc. and 7,200 Victor Chemical Works.

IN A MEMORANDUM to dealers commenting on the Exchange's MIP slogan, "Own Your Share of American Business," Distributors Group states: "We agree. It is the story mutual funds have told—and made possible—for years. The important question is—how? Soundly done, it is good for everybody. Improperly done, it is bad—for the investor, the economy, politically for the securities business.

"We believe the Common Stock Fund of Group Securities, Inc., is an excellent vehicle for many of the new investors. Apparently, others agree as the number of remittances received under our periodic investment plan shows a 75% increase in the February quarter, compared with the same quarter last year."

THE COMMON Stock Fund has outstripped in its rate of growth all other funds in the Group Securities, Inc., capital structure. Since June 1950, when approximately 50,000 shares were outstanding, there has been a net increase in every month without a setback. The 1,000,000 share mark was passed on March 17, 1954.

CANADIAN FUND INC., under the management of Calvin Bullock, in the months of December and January disposed of approximately $2 million of holdings in United States oil, paper and mining companies, all having Canadian interests, and reinvested the proceeds in standard Canadian enterprises.

The stocks eliminated included Continental Oil, Socony-Vacuum, Standard of California, Standard of Ohio, Texas Company, Tide Water Oil, International Paper, Marathon and Kennecott Copper.

Purchases included 4,600 shares of Bell Telephone of Canada, 4,900 British Columbia Power, 12,000 Canadian Pacific, 4,600 Distillers Seagrams, 1,000 Dominion Stores, 2,550 Fraser Companies, 5,000 Hudson Bay Mining, 2,300 Ogilvie Flour Mills and 3,225 Traders Finance "A."

PERSONAL PROGRESS

THE BOARD of directors of Fidelity Fund, Inc., has announced the election of D. George Sullivan, as Vice-President of the Fund.

Mr. Sullivan, formerly Vice-President and Treasurer of Massachusetts Hospital Life Insurance Company, graduated from Harvard in 1927 and the Harvard Business School in 1929. He is a trustee and member of the auditing committee of the Boston Five Cents Savings Bank. During World War II he was a Lieutenant Commander in the United States Navy.

E. B. Burr Joins Natl. Inv. Cos. Assn.

Appointment of Edward B. Burr to the new position of Director of Public Information has been announced by the National Association of Investment Companies.


Edward B. Burr

Mr. Burr has been a staff member of the Institute of Life Insurance for the past six years, and since 1951 has been Director of the Institute's Educational Division. He will remain in that position until he takes up his new assignment on May 3.

Mr. Burr, according to the announcement, will be responsible for the development of a central source of information about the operations and significance of investment companies and their role in the nation's economy. One of the chief aims of the program will be to provide industry-wide statistical and other data previously unavailable from a single source, and to give such data wide public circulation.

Mr. Burr was graduated from Bowdoin College and received his master's degree in business Administration from the Wharton School of Finance and Commerce in 1948. A member of numerous educational associations, he has also been an officer of the New York Chapter, American Society of Chartered Life Underwriters.

Continued from page 2

The Security I Like Best

a substantial source of continuing revenue for Haloid.

In three years, sales of Xerographic equipment have shown a pronounced increase:

1953	$2,500,000
1952	1,500,000
1951	500,000

The Haloid Company was founded in 1906 as a manufacturer of photographic papers. Over the years new products have been added but the most outstanding is the new process, Xerography. Considerable amounts of the earnings have been allocated to research and the expense has been productive.

Further growth of Haloid will naturally be dependent on the increasing number of standard Xerographic units placed on a rental basis, and on the further development and expanding uses for Xeroradiology.

While 1953 earnings were $2.36 per share, after heavy EPT, they are, nevertheless, ample to cover the $1.40 dividend rate. Earnings for 1954 are expected to approximate $4 per share. Dividends are likely to continue at a conservative rate in view of the needs for cash in expanding the Xerographic division.

Exclusive of Xerography, sales for 1953 were approximately $12,600,000 and profits from this source alone were, I believe, close to $2.50. Company statistics clearly show a steady growth over the years:

	Net Sales	Income Before Taxes	Net Income	*Earned Per Share	Dividend
1953	‡$15,200,000	‡$1,450,000	$550,694	$2.36	$1.40
1952	14,755,000	1,509,000	500,000	2.35	1.40
1951	12,897,000	1,125,000	408,000	1.96	1.40
1950	10,027,000	1,048,000	500,000	2.44	1.50
1949	7,724,000	565,000	327,000	2.03	1.00
1948	8,615,000	---	---	---	---

*188,733 shares 1950-53: 141,550 1948-49. ‡Estimated 1953.

Capitalization is extremely simple, consisting of $768,066 long-term debt, 47,133 shares of $50 par value preferred and 188,733 of common. The small number of common shares gives the shares considerable leverage to reflect any substantial increase in net earnings.

The common stock of the Haloid Company currently selling at 45 is supported by estimated earnings of approximately $4 per share. For one who is willing to accept a low income yield, the future holds promise of substantial growth and capital appreciation. The stock is traded in the over-the-counter market.

Continued from page 3

What's Ahead for Air Conditioning

dential systems will be of interest to you. They forecast that 1954 will see 120,000 such units installed and that the use of such systems will increase at the rate of 120,000 units per year for the next two years ultimately reaching 700,000 units during the year 1958.

Within 10 years according to the Institute, the non-air conditioned home will be obsolete in most parts of the country and year-round air conditioning will be standard equipment in practically all new homes.

Now you may well ask: what is the basis—what is the justification—for any such optimistic sales figures as these? Let me quote you some facts and figures about American homes.

New homes have been built at the rate of 1,000,000 per year for the last seven years. Based on estimates of new family formations and the continuing trend of family movement from city to urban areas along with the government's intention to maintain a favorable economic climate, the present 1,000,000 per year new home rate is expected to continue for sometime to come. So much for the growing end of the home market.

As the new home market goes, so goes the old; modern equipment and conveniences included in new homes create a demand for similar improvements in existing homes. In this field, there is an almost unlimited potential market for central residential cooling. 25,000,000 U. S. homes today have central heating. 13,500,000 of these homes are equipped with warm air heat, a high percentage of which can be considered good year-round air conditioning prospects. There are 11,500,000 homes equipped with wet heat, representing millions of prospective users of chilled water residential packages and independent summer cooling systems.

Considering both the new and existing home market — 700,000 central residential cooling units per year by 1958 is certainly a realistic attainable figure.

Commercial Packaged Equipment

Now let's take a look at commercial packaged equipment. 1953 was the industry's biggest year for commercial packaged air conditioners.

We estimate that over 75,000 units were produced during the year. That's a total retail volume of over $150 million.

We predict that this volume will be doubled in the next five years, and doubled again in the succeeding five years. In ten years, in other words, we'll be getting over the half billion dollar marks.

Room Air Conditioners

Of all units in the industry, room conditioners seem to get the most publicity. Reporters trying to evaluate our complicated industry have seized on room conditioners as a simplified expression of the entire field—and perhaps have given this part of the business more emphasis than it has warranted.

Don't misunderstand me — I'm not deprecating the size and importance of the room air conditioner market. The Air-Conditioning and Refrigeration Institute estimated that Manufacturers Shipments of room air conditioners for 1953 exceeded one million units, sales at the retail level amounted to about two hundred and seventy million dollars worth of units and that is big business in anybody's language.

We expect that this volume will eventually level off at around two million units per year for a retail volume in excess of half a billion dollars.

We anticipate a highly competitive year for room air conditioners in 1954. Estimates of the number of marketers of this product range from 75 to 90 as compared to 58 in 1953. This factor plus carry-over inventory will make for a heavy selling year. However, demand continues strong especially for residential use and we expect that sales and production figures will exceed the record year of 1953.

Central Station Systems

Central Station air conditioning — for business, commercial and industrial establishments — is the oldest division of our industry. But our belief is that the potentialities in this field are still enormous. Only a fraction of the business, commercial and industrial establishments of the country are air conditioned.

We believe that 1954 will see another big increase in the installation of central air conditioning and refrigeration systems and that over the years this market represents the largest potential dollar volume for our equipment and services.

To summarize—the day is not far distant when the average American will wake up in an air conditioned bedroom, travel to his air conditioned office or plant in an air conditioned train, bus or automobile, have lunch in an air conditioned restaurant, spend the evening in an air conditioned theatre, night club or living room and end the day in that same air conditioned bedroom. Many of you are no doubt living such a life now.

Recession Proof Industry

There has been so much talk about an eventual recession or a depression that I think it is worth noting that you have in air conditioning what seems to me to be a very strong defense against depression. What will happen to the air conditioning industry if we have a general business recession?

I would expect the volume of air conditioning business to keep right on increasing. That's what it did during the depression of the 1930's.

Obviously it will go up faster if the general economy continues strong and healthy but it seems to me almost certain to go up, no matter what happens. There are even reasons to argue that a recession would have a positive effect on the sale of air conditioning systems.

First, sharpened competition for retail sales would force more and more stores to air condition in order to hold present customers and attract new ones.

Second, manufacturers will be seeking ways to lower production cost and improve the quality of their products. Air conditioning of factories has dramatically proved its value in achieving both objectives. Hence it would tend to be used on a wider scale by manufacturers who feel the pinch of competition.

Third, competition in the housing field would be such that new homes would have to be offered fully air conditioned while rental properties not so equipped would have to be modernized with air conditioning to remain rented to capacity.

I think our industry is as nearly "recession proof" as any you can find.

Worthington as well as other manufacturers is backing its faith in the future of this industry with heavy capital expenditures for plant and equipment. We have just placed in operation a new $3½ million factory at Decatur, Alabama, devoted exclusively to the production of self-contained air conditioners. We are retooling our manufacturing operation at Holyoke, Mass., for the production of compressors in the two horsepower to seven and one-half horsepower range. We have recently acquired the assets, names and good will of the L. J. Mueller Furnace Company of Milwaukee, one of the pioneer companies in central residential heating. We believe in the future of this great industry.

Much has been said about those factors which will retard the growth of our industry and much has been written about the shortage of water and its effect on air conditioning development. That this is a major problem I acknowledge but I don't think it is our greatest problem. This water problem will be licked, is being licked, by the engineers and technicians of our industry in just the same manner that they have licked the technical problems that have confronted us down through the years.

Our major problem as an industry is trained manpower at all levels, the professional engineer, the manufacturer, the salesman, the installer and the service man. How rapidly this trained manpower is provided will govern to a great degree the time that it will take us to realize our great opportunities. This is not a problem that is limited to any one segment nor is it one that any one organization or group of organizations is going to solve.

It is one to which all of us individually in our own organizations and collectively through our trade associations, contractors associations and professional societies must address our best efforts. Such educational conferences as this one concluding here today and others that will be held across the country this year are one phase of the educational process. So also are the schools conducted by the manufacturers for their own employees and those of their distributors in sales, application engineering, installation and service.

In conclusion may I say that while we in this industry have great opportunities before us so do we have great responsibilities. These responsibilities are to the man who pays the bills, our customer, Mr. and Mrs. John Q. Public.

Let us not be opportunists with our eye on the fast buck. Let us be determined to give the public the best in equipment, in engineering, in installation and service; in short to give the best of ourselves. In this way we will carry this industry of ours forward to a realization of its great potentials.

Railroad Securities

Denver & Rio Grande Western

Railroad securities continue to have a hard time keeping up with other sections of the market as investors and speculators alike stick to the sidelines, waiting to get a more definite picture as to how the railroads are going to be able to control costs in a period of declining business. The past record on this score is not impressive and so far in the present period of economic readjustment there has been no widespread rush to cut-back sharply on maintenance outlays. Nevertheless, in many quarters there is a strong belief that the large capital expenditures of recent years for property improvements and new equipment will be effective in controlling costs in coming months. Meantime, there have been a number of more optimistic statements from various railroad managements in recent weeks, revising downward earlier estimates of the possible 1954 decline in traffic.

One of the railroads that has been turning in a highly commendable performance, and whose securities have been attracting an increasing institutional interest, is Denver & Rio Grand Western. At the close of 1953 the company paid a 50% stock dividend and at the first Directors' meeting in 1954 the new stock was placed on a $5.00 basis. This is equivalent to a $7.50 rate on the old stock and compares with $6.00 a share cash paid last year. This new dividend rate is well protected by earnings and obviously would not have been established initially at this level at this time if the management had not been confident that it could be maintained in the face of the traffic decline that had already taken place and was in prospect. At recent levels the stock affords a yield of just short of 8%.

The particular favorable point of the Denver & Rio Grande picture has been the high degree of operating efficiency attained by the new management subsequent to reorganization. The property has some serious operating problems inherent in the mountainous territory in which it operates and the extremes of weather and temperatures it encounters. Thus, traditionally it had been a high cost operation. This condition has been completely reversed in recent years and by last year the transportation ratio has been reduced to 29.5%. It was one of the few major railroads in the country with a transportation ratio below 30.0%. This performance compared with a transportation ratio of around 37% in the immediate post-war period, and with a 1953 ratio of 36.3% for the Class I carriers as a whole.

Another favorable aspect of the Denver & Rio Grande Western picture is the major change in its traffic status. At one time it was largely a local carrier with a strong dependence on agricultural freight. With the physical improvement of its lines and the lines of its conections such as Western Pacific and Rock Island, and with modernization of terminals, the road has become an integral part of an important transcontinental route. The through traffic thus generated is long haul and therefore particularly profitable. In addition, the traffic potential has been increased by substantial growth in the service area and contiguous territory, the most important development having been the iron and steel expansion on its own lines in Utah. This growth is continuing.

Even with an extraordinary charge of $507,827 (almost $1.00 a share) last year for road retirements accruals because of abandonment, earnings on the common stock, before sinking funds, came to $14.88 a share, based on the amount of stock now outstanding. This compared with $12.97 a share earned in the preceding year and largely reflected the continued improvement in operating efficiency mentioned above. At the start of 1954 traffic has been declining at a somewhat more rapid rate than that of the industry generally. Operating expenses have been cut but not sufficiently to offset the drop in gross. Nevertheless, for January the road earned very close to $1.00 a share and it is expected that for the full year it will be able to keep earnings at least to $10.00 a share, an ample coverage of the present dividend.

Joins Calin-Seley

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — David R. Hopkins is now with Calin-Seley & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Continued from page 5

The State of Trade and Industry

highest since week ended Oct. 17, 1953, when 145,697 units left the lines.

The strong gain virtually secures the industry's third-best January-March passenger car production in history—an expected 1,416,000 cars. The volume is 7% under the 1,519,895 of 1953 and 12% below the 1,610,751 in 1951, the only other higher first quarters, it further reported.

Headlining January-March, Ward's said, is Ford Motor Co., which with an estimated 468,500 cars will take its highest share (33.1%) of industry output for any quarter in seven and one-half years. Its unit total will be second-best for any three-month period post-World War II, being surpassed only by the 489,586 of July-September, 1953.

The statistical agency added, however, that the brightening automobile picture is one of contrasts, with six-day operations at some Ford, Cadillac and Chevrolet plants last week being offset by continued four-day assemblies at Dodge, DeSoto, Chrysler, Hudson and Studebaker.

Resumption of Hudson and Studebaker operations after a week's shutdown, however, plus gains at Studebaker and Willys gave the Independents 5.4% of the past week's car output against 2.9% the week before. A 20% upturn at Chevrolet, and one of 17% at Plymouth, further sparked the week's activity.

Ward's said General Motors Corp. will take approximately 49%, Chrysler Corp. 12.9%, Ford Motor Co. 33.1% and the Independents 5% of the industry's January-March United States automobile output.

Whereas cumulative 1954 United States car and truck production is running 8% behind a year ago, vehicle output in Canada is showing a 5% gain over 1953, the country's all-time record year.

Steel Output Edges Lower In Latest Week

Steel ingot production is down approximately 33% from a year ago says "Steel," the weekly magazine of metalworking. But don't let that mislead you into believing that business in general is that bad.

The readjustment in steel ingot output is much sharper than in various other industries. And there's a good reason. Last year, steel production ran ahead of consumption. Steel was put into inventory. Now, steel output is coasting until inventories can be used up, this trade magazine states.

When steel is as readily available as it is today, continues this trade weekly, users are inclined to cut their inventories to the bone. Such a depth of cut along with a reduced rate of usage makes the length of time needed to accomplish it seem painfully long.

Steel ingot production actually is lower than the rate of output of finished steel, for the reduction of inventories extends even into the steel plants. Their rolling mills are drawing upon semi-finished steel that had been stacked up. While these inventories are being liquidated, ingot production rates are held below rates of finishing.

One evidence that business in general is not as low as steel ingot production is electric power output. It's a good barometer because electricity is so universally used in industry and because half of all electricity sold is used by industry. Electricity output is running around 5% above the year-ago figures. Even if you allow for the increasing use of electricity in industry there isn't a drop as steep as that in steel ingot production. In the big and important central industrial district electricity output is down only 2 or 3% from a year ago, notes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 66.5% of capacity for the week beginning March 22, 1954, equivalent to 1,585,000 tons of ingots and steel for castings, as against 1,613,000 tons and 67.6% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 73.6% and production 1,7756,000 tons. A year ago the actual weekly production was placed at 2,324,000 tons or 103.1%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Makes Some Recovery From Previous Week's Low

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 20, 1954, was estimated at 8,572,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 53,000,000 kwh. above the preceding week, and an increase of 494,000,000 kwh., or 6.1% over the comparable 1953 week and 1,218,000,000 kwh., over the like week in 1952.

Car Loadings Gain In Week Ended March 13

Loadings of revenue freight for the week ended March 13, 1954, increased 19,316 cars, or 3.3% above the preceding week, according to the Association of American Railroads.

Loadings totaled 609,883 cars, a decrease of 90,300 cars or 12.9% below the corresponding 1953 week, and a decrease of 99,092 cars or 14.0% below the corresponding week in 1952.

U. S. Auto Output Advances 8% To 21-Week Peak

Automotive production for the latest week advanced 8% to a 21-week peak and marked the first week since last July 4 that all the industry's producers were in operation at the same time, according to "Ward's Automotive Reports."

The industry, "Ward's" states, assembled an estimated 120,-900 cars last week, compared with 110,592 (revised) in the previous week. A year ago the weekly production was 128,638.

Last week, the agency reported there were 22,905 trucks made in this country, as against 22,081 (revised) in the previous week and 30,691 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,171 cars and 1,994 trucks last week, against 8,715 cars and 2,090 trucks in the preceding week and 7,662 cars and 2,932 trucks in the comparable 1953 week.

Business Failures Extend Upward Trend

Commercial and industrial failures rose to 243 in the week ended March 18 from 229 in the preceding week, Dun & Bradstreet, Inc., reported. Although casualties were up sharply from the tolls of 160 and 181 which occurred in the comparable weeks of 1953 and 1952, they remained 18% below the prewar level of 298 in 1939.

Failures involving liabilities of $5,000 or more increased to 212 from 201 last week and exceeded considerably the 130 of this size recorded in the similar week a year ago. Among small casualties, those with liabilities under $5,000, there was a very slight upturn to 31 from 28 in the previous week and 30 last year. The number of concerns failing with liabilities in excess of $100,000 continued at 19.

Wholesale Food Price Index Rises For Sixth Straight Week To New 3-Year High

Moving upward for the sixth straight week, the Dun & Bradstreet wholesale food price index rose 2 cents in the latest period to stand at $7.27 as of March 16. This was a new high for the year and marked a further new peak for the past three years. It compared with $6.42 on the corresponding date a year ago, or an increase of 13.2%.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Scores Further Mild Rise

Continuing the gradual upward trend of recent weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., advanced to 278.52 on March 16, from 277.81 a week earlier. The current level compares with 275.81 a month ago, and with 283.37 on the corresponding date last year.

Movements in leading grains were mixed last week. Soybeans worked sharply downward from their recent peaks, while wheat was up sharply with new crop futures reaching new highs for the season.

Supporting factors in the bread cereal included unfavorable weather conditions in the Winter wheat belt and the belief that there might be a shortage of wheat in the free market before the next harvest.

Corn held quite steady with receipts about equal to current demand. Oats and rye were weak, reflecting the approach of opening of navigation on the Great Lakes and the probability of expanded imports from Canada. Sales of grain and soybean futures on the Chicago Board of Trade declined slightly to a daily average of about 62,100,000 bushels, from 67,100,000 the previous week, and compared with 41,000,000 a year ago.

The domestic flour market was dull most of the week but some expansion in fill-in bookings of Spring wheat bakery flours took place late in the period. There was also some improvement in buying of hard Winter wheat flours as a result of mill price concessions and dwindling supply positions.

Coffee continued to spiral sharply upward to close at new highs for all time.

Clearances of coffee from Brazil during the week ended March 13 totalled 265,000 bags, of which 140,000 bags was destined for the United States.

Trade Volume Lifted Mildly Higher in Latest Week

Consumer spending edged upward slightly in the period ended on Wednesday of last week as Spring weather came to many parts of the nation. However, most merchants were unable to match the high sales volume of a year-ago despite many aggressive promotions.

The most favorable year-to-year gains were in the demand for food.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 4% below to unchanged from the comparable 1953 level. Regional estimates varied from the levels of a year ago by the following percentages: New England and East —4 to 0; South and Southwest —3 to +1; Midwest and Northwest —5 to —1; Pacific Coast —2 to +2.

While the buying of Spring clothing reflected the most pronounced rises the past week, it was still down moderately from the high level of a year ago when Easter was two weeks earlier. The demand for women's coats and suits continued to gain, particularly in the South and Southwest. Men's suits of synthetic fabrics gained steadily in popularity. The interest in shoes spurted slightly and was well above the low level of recent weeks.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 13, 1954, decreased 8% below the level of the preceding week. In the previous week, March 6, 1954, a decrease of 11% was reported from that of the similar week in 1953. For the four weeks ended March 13, 1954, a decline of 6% was reported. For the period *Jan. 1 to March 13, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York last week was adversely affected by colder temperatures, which resulted in a decline of 10 to 11% below the like period in 1953, according to trade estimates.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 13, 1954, registered a decline of 6% below the like period of last year. In the preceding week, March 6, 1954, a decline of 6% (revised) was reported from that of the similar week of 1953, while for the four weeks ended March 13, 1954, a decrease of 3% was reported. For the period *Jan. 1 to March 13, 1954, a decline of 1% was registered under that of the 1953 period.

*Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.

A. S. E. Committee to Study Fee Schedule

The American Stock Exchange board of governors, which had recently directed that a committee be appointed to study the possibility of establishing a schedule of fees for special services furnished to customers as an alternative to an across-the-board commission increase, has approved the appointment of committee personnel.

Apopinted to the group which held its first meeting March 22 were: Emmett Byrd, Gude, Winmill & Co.; Charles Halsey, Bache & Co.; Robert Humphrey, Francis I. duPont & Co.; David Krell, Thomson & McKinnon; Kenneth Martin, Merrill Lynch, Pierce, Fenner & Beane; Jeremiah E. Moran, Burnham & Co.; John O'Mara, Laidlaw & Co.; and Edward R. Rimmels, Eastman, Dillon & Co.

The special services which will occupy the committee's attention include custodian functions, dividend deliveries, handling of proxies, research, and other special aspects of the customer-broker relationship.

The exchange's decision to investigate the fee possibilities follows, by a few weeks, the governing board's rejection of a proposal by the Committee on Outside Supervision that would have effected a commission increase for members and member firms.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alan K. Sundlee has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

With A. C. Karr Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Philip M. Benton is now associated with A. C. Karr & Co., 523 West Sixth Street. He was formerly with Hill Richards & Co.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John W. Weis is with King Merritt & Company, Inc., 1151 South Broadway.

Joins Neary, Purcell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert L. Prosser has become connected with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Walter Gorey Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David Bullen is now connected with Walter C. Gorey Co., Russ Building. Mr. Bullen was previously with Elworthy & Co., and First California Company.

With Ferrell & Ferrell

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—Harold W. Thorne is now with Ferrell & Ferrell, 411½ Main Street. He was formerly in the investment business in Denver.

W. Strother Jones

W. Strother Jones passed away at the age of 68 after a short illness. Mr. Jones prior to his retirement was with J. R. Williston & Co. and was a former member of the New York Stock Exchange.

With C. J. Nephler Co.

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Harry J. Woodman is now with C. J. Nephler Co., Community National Bank Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 28	§66.5	*67.6	73.6	103.1
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 28	§1,585,000	1,613,000	1,756,000	2,324,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 13	6,458,300	6,422,900	6,321,700	6,449,950
Crude runs to stills—daily average (bbls.)	Mar. 13	¶6,883,000	6,951,000	7,030,000	7,060,000
Gasoline output (bbls.)	Mar. 13	23,313,000	23,874,000	24,421,000	23,147,000
Kerosene output (bbls.)	Mar. 13	2,764,000	2,982,000	2,843,000	2,425,000
Distillate fuel oil output (bbls.)	Mar. 13	10,116,000	10,617,000	10,683,000	10,544,000
Residual fuel oil output (bbls.)	Mar. 13	8,362,000	8,195,000	8,499,000	9,318,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 13	179,583,000	*179,384,000	175,908,000	160,869,000
Kerosene (bbls.) at	Mar. 13	19,020,000	19,905,000	20,041,000	18,640,000
Distillate fuel oil (bbls.) at	Mar. 13	65,574,000	68,194,000	73,754,000	62,545,000
Residual fuel oil (bbls.) at	Mar. 13	45,973,000	46,065,000	45,921,000	42,284,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 13	609,883	590,567	623,706	700,183
Revenue freight received from connections (no. of cars)	Mar. 13	595,585	585,261	603,350	668,132
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 18	$215,384,000	$245,541,000	$149,692,000	$316,089,000
Private construction	Mar. 18	115,621,000	166,121,000	96,392,000	231,750,000
Public construction	Mar. 18	99,763,000	79,420,000	53,300,000	84,339,000
State and municipal	Mar. 18	92,216,000	69,319,000	48,505,000	74,586,000
Federal	Mar. 18	7,547,000	10,101,000	4,795,000	9,753,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 13	6,940,000	*6,255,000	7,595,000	8,579,000
Pennsylvania anthracite (tons)	Mar. 13	488,000	406,000	590,000	662,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 13	92	85	91	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 20	8,572,000	8,519,000	8,551,000	8,078,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 18	243	229	215	160
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 16	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Mar. 16	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Mar. 16	$23.33	$23.50	$25.33	$44.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 17	29.675c	29.700c	29.700c	28.350c
Export refinery at	Mar. 17	29.350c	29.075c	29.150c	34.725c
Straits tin (New York) at	Mar. 17	92.000c	90.000c	85.250c	14.500c
Lead (New York) at	Mar. 17	13.000c	13.000c	13.000c	13.500c
Lead (St. Louis) at	Mar. 17	12.800c	12.800c	12.800c	13.300c
Zinc (East St. Louis) at	Mar. 17	9.750c	9.250c	9.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 23	100.12	100.09	98.97	94.07
Average corporate	Mar. 23	110.88	110.70	109.24	107.27
Aaa	Mar. 23	116.02	116.02	114.66	110.70
Aa	Mar. 23	113.12	112.75	111.07	109.42
A	Mar. 23	110.34	110.34	108.88	106.39
Baa	Mar. 23	104.66	103.97	102.63	102.96
Railroad Group	Mar. 23	109.42	108.88	107.09	105.17
Public Utilities Group	Mar. 23	110.70	110.70	109.24	106.74
Industrials Group	Mar. 23	112.56	112.19	111.25	109.97
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 23	2.49	2.49	2.57	2.93
Average corporate	Mar. 23	3.12	3.13	3.21	3.32
Aaa	Mar. 23	2.85	2.85	2.92	3.13
Aa	Mar. 23	3.00	3.02	3.11	3.20
A	Mar. 23	3.15	3.15	3.23	3.37
Baa	Mar. 23	3.47	3.51	3.59	3.57
Railroad Group	Mar. 23	3.20	3.23	3.33	3.44
Public Utilities Group	Mar. 23	3.13	3.13	3.21	3.35
Industrials Group	Mar. 23	3.03	3.05	3.10	3.17
MOODY'S COMMODITY INDEX	Mar. 23	431.7	428.6	425.6	418.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 13	253,105	304,917	216,205	226,218
Production (tons)	Mar. 13	243,388	223,579	237,563	242,903
Percentage of activity	Mar. 13	91	88	91	94
Unfilled orders (tons) at end of period	Mar. 13	410,285	401,043	355,213	517,597
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 19	107.92	108.00	107.17	107.49
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Mar. 6	988,111	645,030	963,701	850,274
Dollar value	Mar. 6	$46,695,026	$29,757,573	$44,463,075	$37,963,466
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Mar. 6	990,361	656,574	888,177	803,112
Customers' short sales	Mar. 6	7,347	7,441	8,831	7,131
Customers' other sales	Mar. 6	983,014	649,133	879,346	795,981
Dollar value	Mar. 6	$42,748,729	$27,259,465	$38,117,821	$32,203,188
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 6	299,090	214,450	257,590	258,950
Short sales	Mar. 6	------	------	------	------
Other sales	Mar. 6	299,090	214,450	257,590	258,950
Round-lot purchases by dealers—					
Number of shares	Mar. 6	301,460	219,670	350,500	318,550
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Feb. 27	299,600	411,270	426,280	422,140
Other sales	Feb. 27	6,124,870	8,722,360	9,707,950	8,984,260
Total sales	Feb. 27	6,424,470	9,133,630	10,134,230	9,406,400
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 27	691,160	876,550	999,330	929,330
Short sales	Feb. 27	135,140	194,920	220,510	213,700
Other sales	Feb. 27	481,080	737,790	820,280	800,720
Total sales	Feb. 27	616,220	932,710	1,040,790	1,014,420
Other transactions initiated on the floor—					
Total purchases	Feb. 27	190,780	227,820	297,000	267,390
Short sales	Feb. 27	12,900	18,700	22,900	34,600
Other sales	Feb. 27	148,390	233,320	299,810	245,480
Total sales	Feb. 27	161,290	252,020	322,710	280,080
Other transactions initiated off the floor—					
Total purchases	Feb. 27	232,902	342,375	361,384	295,586
Short sales	Feb. 27	31,450	41,390	38,670	65,740
Other sales	Feb. 27	234,181	384,070	423,600	461,564
Total sales	Feb. 27	265,631	425,460	462,270	527,304
Total round-lot transactions for account of members—					
Total purchases	Feb. 27	1,114,842	1,446,745	1,657,714	1,492,306
Short sales	Feb. 27	179,490	255,010	282,080	314,040
Other sales	Feb. 27	863,651	1,355,180	1,543,690	1,507,764
Total sales	Feb. 27	1,043,141	1,610,190	1,825,770	1,821,804
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 16	110.6	110.6	110.5	110.3
Farm products	Mar. 16	98.8	*99.0	98.0	100.1
Processed foods	Mar. 16	104.7	*104.6	105.1	104.9
Meats	Mar. 16	92.0	91.6	92.3	94.4
All commodities other than farm and foods	Mar. 16	114.3	*114.4	114.4	113.4

*Revised figure. ¶Includes 541,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of December	110,291	105,636	83,419
Stocks of aluminum (short tons) end of Dec.	30,052	21,790	14,241
AMERICAN ZINC INSTITUTE, INC.—Month of February:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	68.020	78,561	76,899
Shipments (tons of 2,000 pounds)	66,738	*60,692	71,710
Stocks at end of period (tons)	199,994	*198,712	93,664
Unfilled orders at end of period (tons)	28,943	26,378	37,172
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of February:			
New England	$10,902,692	$12,487,613	$11,591,366
Middle Atlantic	79,109,226	69,966,639	51,510,508
South Atlantic	42,528,387	43,519,600	38,474,136
East Central	63,278,437	68,571,605	77,599,329
South Central	61,504,105	56,688,809	53,630,948
West Central	18,856,576	13,239,446	17,339,392
Mountain	11,428,978	11,039,465	13,685,808
Pacific	54,042,928	68,425,052	72,559,515
Total United States	$341,651,329	$343,938,229	$336,391,002
New York City	51,047,477	32,068,684	27,394,212
Outside New York City	$290,603,852	$311,869,545	$308,996,790
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of February:			
Manufacturing number	207	192	132
Wholesale number	87	79	76
Retail number	449	450	348
Construction number	109	86	86
Commercial service number	74	60	49
Total number	926	867	691
Manufacturing liabilities	$23,043,000	$11,431,000	$8,452,000
Wholesale liabilities	4,538,000	3,238,000	5,124,000
Retail liabilities	11,770,000	8,623,000	9,139,000
Construction liabilities	4,082,000	3,166,000	3,378,000
Commercial service liabilities	4,341,000	3,134,000	1,180,000
Total liabilities	$47,774,000	$29,592,000	$27,273,000
COPPER INSTITUTE—For month of February:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	75,656	*84,216	83,653
Refined (tons of 2,000 pounds)	103,496	111,553	101,538
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	87,384	77,091	117,204
Refined copper stocks at end of period (tons of 2,000 pounds)	118,417	108,121	60,944
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of February:			
Weekly earnings—			
All manufacturing	$70.71	$70.92	$71.17
Durable goods	76.00	*76.40	77.15
Nondurable goods	63.80	63.53	62.88
Hours—			
All manufacturing	39.5	39.4	40.9
Durable goods	40.0	*40.0	41.7
Nondurable goods	38.9	38.5	39.8
Hourly earnings—			
All manufacturing	$1.79	$1.80	$1.74
Durable goods	1.90	1.91	1.85
Nondurable goods	1.64	1.65	1.58
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1935-39 average=100)	109.1	112.8	119.0
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of February:			
Copper (per pound)—			
Electrolytic domestic refinery	29.669c	29.671c	24.968c
Electrolytic export refinery	29.000c	28.767c	34.783c
Lead—			
Common, New York (per pound)	12.818c	13.260c	13.500c
Common, St. Louis (per pound)	12.618c	13.060c	13.300c
‡‡Prompt, London (per long ton)	£82.756	£86.453	------
‡‡Three months, London (per long ton)	£81.956	£85.794	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	73.750	73.750	74.000
Sterling Exchange (Check)	$2.81292	$2.81163	$2.81906
Zinc (per pound)—East St. Louis	9.375c	9.760c	11.483c
††Zinc, London, prompt (per long ton)	£72.225	£73.022	------
††Zinc, London, three months (per long ton)	£70,681	£71,611	------
Tin (per pound)—			
New York Straits	85.034c	84.830c	121.500c
§§New York, 99% min.	84.034c	83.830c	120.500c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$188.000	$187.360	$205.091
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$90.000	$90.160	$90.000
†Cadmium, refined (per pound)	$1.70000	$2.00000	$2.00000
‡Cadmium (per pound)	$1.72000	$2.07500	$2.07500
§Cadmium (per pound)	$1.75000	$2.15000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.500c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	------
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Feb.	£93,937,000	£3,345,000	£11,670,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	17,769,000	20,243,000	18,856,000
Shipments from mills (barrels)	11,143,000	14,130,000	13,520,000
Stocks (at end of month—barrels)	25,857,000	*19,231,000	21,294,000
Capacity used	74%	79%	84%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of February:			
Net sales	$4,008,550	------	------
Net purchases	------	$6,957,500	$8,797,700
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Jan. (000's omitted):			
Exports	$1,089,900	$1,316,000	$1,291,000
Imports	836,900	911,000	922,265
ZINC OXIDE (BUREAU OF MINES)—Month of January:			
Production (short tons)	13,995	13,790	17,603
Shipments (short tons)	13,877	12,256	16,682
Stocks at end of month (short tons)	29,981	29,903	23,923

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A "Rousing Speculative Boom" Can Develop Shortly

great deal of what economists, again departing from their standard practices to use a remarkably euphonious term with pleasing connotations, have taken to calling "built-in flexibility." The sort of thing they have in mind is that if workers lose their jobs these days they do not become completely bereft of income at the same time. They have access to unemployment compensation. Farmers have access to government price supports. And people in the upper income brackets have access to the rather cold comfort that if their income goes down the Federal Government takes a worse beating proportionately in its income tax collections. This, of course, is a product of what, with a peculiar perversion of the language, is called our extremely "progressive" income tax. What is meant, of course, is that the rates go up very steeply as individual income increases. They go down the same way, if that's any comfort.

The eminent economist, Robert Landry of Dun and Bradstreet, who is my leading authority on the subject, estimates that we now have a "built-in flexibility" in our economy which, under certain circumstances, would break as much as half the fall in income that would occur without it. How much "built-in flexibility" there is obviously depends on which individual and business incomes decline. Farmers have income cushions in the form of price supports which fishermen don't. But realistically plotting the course of a general income decline, Mr. Landry sees as much as half of its force taken up by the flexibility which has been built into our economy.

No Tendency of Slide to Snowball

My conviction that we are not headed for a deep depression is further strengthened by what has happened during the period, now getting up toward a year, when business has been falling off. Regardless of the degree to which it has been due to "built-in flexibility" or something else, the fact remains that the slide has been gradual and has shown little or no tendency to snowball and pick up momentum.

When I said this to one of my McGraw-Hill associates, the other day, he remarked that I reminded him of his boyhood in New England. On winter mornings, he said, he often found a nice, gently sloping stretch of ice and embarked on a gradual, comfortable slide. But more often than not, the next thing he knew, the slide had ceased to be gradual and he was picking himself up after a violent spill.

I don't think the analogy fits the case. As I see it, we've got quit a coating of ashes on the slide. I am confident that it will prevent anything in the nature of a crash.

At the same time I do not share what I find the rather widespread feeling that with the return of spring the total volume of business will resume its upward course. My reasons can be simply stated. After a record-breaking first quarter, it looks to me as though capital investment by business will be declining slightly through the rest of the year. So far as I can tell, government expenditures as a whole will also be declining slightly. A very substantial decline in Federal expenditures (from $60 billion per year in 1953 to $55 billion per year in 1954) will be largely but not completely offset by an increase in expenditures by the state and local governments. Not much of any change is to be anticipated in the volume of sales abroad.

If I am right thus far, it follows that we must find what it takes to produce a general business upturn in a prospective expansion of consumer expenditures. These expenditures, of course, produce by far the largest element of the nation's business. The expansion here must be big enough not only to lick up what remain some top-heavy inventories of consumer goods, but large enough to call for an increase in new production which would offset the declines I have mentioned.

No Upward Surge in Consumer Spending This Spring

I look and I look intently, but thus far I have looked in vain for harbingers of a surge in consumer expenditures which would turn the total volume of business done by our economy firmly upward this spring. There will be a seasonal pick-up, of course, and it may be more than that in some cases, but what it takes to start a sustained and general upward movement still seems to me to be missing.

In recent months we have made what I have found unexpectedly good headway in cutting business inventories down to the size where they will no longer put a drag on production—by letting those having the excess inventories live off of them rather than new production. But, so far as I can tell, we still have a considerable amount of inventory liquidation ahead. I cannot see any place where production seems likely to expand enough to offset this continuing drag.

At this point I am sure some of you are remarking that I am leaving out of my calculations a major and perhaps the dominant element in shaping the business outlook for the months ahead. This is, of course, the firmly announced determination of our national Administration to take steps to check further decline of business if the general rebirth of vitality in the spring does not do it.

No, I am not forgetting the government. Quite on the contrary, I recognize that it can play a major and perhaps even a decisive role in the shaping of the general course of business over the years ahead. Furthermore, I think it may do just this. But for the months immediately ahead I do not see how the sort of action available to the government is likely to reverse a mild decline in business. This is because I think there will be delayed reaction to government action. I expect this will be true, regardless of whether it is more tax reduction, which I anticipate, or the launching of public works, if that comes to be regarded as necessary. So for some months I expect business to drift d o w n w a r d, slowly.

A Rousing Speculative Boom Coming

Along with this expectation goes a suspicion which causes virtually all of my co-workers in the field of gauging the business outlook to whom I whispered it to fear that I have gone berserk. It is that when the turn in business comes, a rousing speculative boom, probably though not necessarily centered in the stock market, will not be far behind.

This suspicion is compounded largely of two expectations, the fulfillment of either one of which could validate it. One of them is that Congress, seeking votes in a Congressional campaign year, will knock the Federal budget much further out of balance on the deficit side than it already is by granting tax relief in the name of coping with the present decline in business. That would produce an inflationary potential of imposing proportions. That, of itself, is a promising take-off for the speculative boom. We have a running start for such a boom, of course, in having the stock market going up—largely, I take it, for tax reasons — while the general course of business is downward.

The other expectation is that a widespread reaction to what I anticipate will be the continuing mildness of the current business decline will be the conviction that somehow we have solved the problem of preventing depressions. That won't be the case, of course, but this won't make any decisive difference. A "new ear," as was devastatingly demonstrated 25 years ago, does not need to be an economic reality in order to be a tremendous economic force.

If first you take a stock market which persists in rising in the face of declining business, then have the government add inflationary fuel, and, third, get abroad in the land the idea that we've got depressions licked, it looks to me that you've got the elements of a really rousing speculative boom. At any rate, I don't believe I am quite as unhinged as some to whom I have advanced the idea have rudely indicated they think I am when I keep at least one little corner of my eye cocked toward the possibility of having a rousing speculative boom underway before long.

Needless to say, I would deplore any such development. But I am dealing not with what ought to be but what may be. A speculative boom, attended by a lot more inflation, would gravely complicate an orderly transition to an economy propelled primarily by the business of meeting peacetime needs rather than by getting over war or getting ready for war.

Right now this transition is going remarkably well. It has good prospects of keeping on going that way. These would be substantially improved if selling had not become something of a lost art over a long period when, in many fields, it has not been necessary.

Better Relationship Between Government and Business

An element of great potential strength in the business outlook which, I am sure, has not been generally recognized, is the development by the President's Council of Economic Advisers of the outlines of a consistent and constructive relationship between the Federal government and business. One does not need to be either anti-New Deal and anti-Fair Deal to remark that for twenty years, under those dispensations, we had national economic policies and programs which, more often than not, were hastily contrived to meet the particular emergencies prevailing at the time. Regardless of the disposition of those in command, emergencies of depression, war and preparation for war made a lot of high speed improvising necessary.

Now, however, we are in the fortunate position of having had a remarkably competent Council of Economic Advisers take a cool, calm look at our economy and come up with a clear-cut, consistent and constructive plan to guide government operations in keeping the economy expanding but on a tolerably even keel. If, as you have a right to be, you are a little discouraged by the nature of modern economic statecraft, I commend to you a reading of the President's Economic Report of a month ago which was prepared with the collaboration of his Council of Economic Advisers. It will cheer you up.

It would, I am sure, be a national misfortune if a trial of the economic statecraft blocked out by this report were frustrated before it is much more than started by a political rush in Congress to get on what looks like a winning bandwagon of massive individual tax relief to cope with the present business decline. It looks to me as though in the period immediately ahead the danger from the political part of our political economy is not that too little will be done in the name of coping with the situation but that too much will be done, that the mark will be overshot and that we will be set off on another inflationary whirl.

This attitude on my part does not bespeak a callousness to the plight of the very considerable number of my fellow citizens who, through no fault of their own, have lost their jobs. On the contrary, I would be glad to see much more generous provision made for unemployment compensation than has been made. What I don't want to see, and hope I won't see, is a hair trigger performance in Washington which will give very little if any immediate help to the unemployed and raise more havoc with our economy for the longer pull.

In my office we are currently at work on studies of the nation's longer range economic prospects, granted, of course, that we are not all obliterated by atomic warfare —which I personally do not expect to be. As I indicated at the outset, these prospects are most alluring. Even when very conservative assumptions about the prospective increase in industrial efficiency are used, it is manifest that by 1970 over the next 16 years we have the possibility of improving the American standard of living by 40%, in spite of the fact that there will be about 44 million more of us at that time to share it.

This, however, is not an automatic process. It involves using our heads tolerably well. And more immediately it involves not getting hysterical if the present transition involves some let-down in business. By any reasonable standard we are now enjoying great prosperity, and have every economic prospect of continuing to do so for the balance of the year. I am confirmed in this judgment by my fellow business analyst, David Williams, who does forecasting by studying "planetary aspects" which means, I take it, studying the moon and stars. He reports "it is predicted from the Jupiter-Saturn trine of July, 1954 that 1954 will witness a year of high business activity."

But for 1955 Mr. Williams sees a less promising prospect. It seems that the Jupiter-Uranus conjunction of February, 1955 indicates a low for next year. Being entirely untutored in astro-economics, I don't know what this means. But perhaps it means that next year we are going to get over-exposed to the wrong kind of moon beams or moonshine. If so, I also fear that. Otherwise, I find that what's ahead for business, while something less than idyllic, is a generally cheering prospect to contemplate.

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Adjustment, Recession Or Depression

lapsed with disastrous repercussions.

Since the close of World War II we have had inflation, probably the greatest in our history, with the pent-up demand backed by high wartime earnings and savings encouraging businessmen to achieve ever greater records of production, investment, and further production. In 1949 there was a let-down as shown by the Federal Reserve Board's index of production, and unemployment increased. Whether or not this was the primary postwar depression (assuming that the pattern of World War I would be repeated) is a moot question. Certainly it was not of the proportions of that of 1920 and 1921. Business showed some improvement in 1950, but the outbreak of hostilities in Korea in June 1950 led to the resumption of inflationary forces. This was aided by the operations of the Federal Reserve System in buying government bonds on the open market, which increased inflationary pressures until March, 1951, under the domination of the Treasury.

Now the downturn has begun, a significant change occurring apparently in the third quarter of 1953, and the question is raised as to how far this will go. Can the slide be stemmed? Business leaders, politicians, and economists assure, declaim, and pontificate from Washington to Wall Street to Halls of Ivy, proclaiming the soundness of our economy, the need of an adjustment, and the near impossibility of a real depression. But daily the papers carry the news of further layoffs, cuts in production, excessive inventories being cut down, declining carloadings, declining bank loans, and lower rates of interest. Some of this is seasonal, but most of it is more than seasonal. The news is not uniformly bad; it never is, even in depression, for the course of decline is never a straight line. But for every item of good news, there are many that indicate a worsening of the situation.

Will It Be a "Tapering Off"?

If this turns out to be a mere tapering off, it will be the first time in our history that an extended period of vigorous inflation has been followed by such a tapering off. It will be the first time that it has not been terminated in a more or less vigorous collapse of markets, particularly the stock market, with ensuing underproduction and unemployment. Perhaps we can escape the repetition of the hard times of the past. But it seems to this writer that many people who are hoping for this are indulging in wishful thinking and whistling as they pass the cemetery at midnight, or else are overlooking some fundamentals.

One of these fundamentals is the principle of acceleration. This is not an academic matter at all, but a simple though not often understood problem. Take it first in inflation. Suppose that a merchant keeps his inventory during a given period at 1½ times his sales. This is approximately the national average. Now suppose his customers increase their purchases by 15%. If he believes this will continue, he will have to increase his orders to his wholesalers by more than 15%. First of all he must take care of the current business, and must have more goods on hand for that. Next he will likely want to bring his inventory up to the usual ratio to sales, which means additional orders. So an increase in sales of 15% may mean that his increase in orders will be 30%; as there is no fixed ratio, let us say that a given increase in his sales will be magnified as he in turn orders from his wholesalers and they in turn order from manufacturers who in turn hire labor and buy raw materials and supplies. The heavy industries like steel and the durable goods industries, especially machine tools, feel this magnification the most.

Is this academic? In "normal" times or times of stability, gains in one and losses in another cancel out and acceleration is not ap-

parent. But when the Korean hostilities broke upon the world in 1950, many thought that this might lead into World War III, and they decided to make purchases that normally would have been postponed. The result of this was a wave of scare buying during July and August, 1950, and a second wave in the following December and January which sent businessmen into a mad scramble for everything they needed. People in fortunate positions, either as the holders of coveted goods or as workmen in demand profited greatly, while price and wage controls made feeble efforts to control the upward spiral. The Federal Reserve's open market policy of buying bonds, forced by the Truman Administration, made the inflation worse. But through it all there finally emerged inventories that, in spite of restrictions and scarcities, came to be burdensome. Then acceleration in reverse, or deceleration, set in.

Nor is deceleration only an academic problem. When the retailer finds his sales dwindling, he hesitates to make the normal replacements as stock is sold off. If he still aims to maintain his customary inventory-to-sales ratio, he will let his inventory run off with little replacement. Again there is no fixed ratio, as some goods will sell nearly as well as before, while others lag more. The wholesaler feels the slump and lets his inventory run off, and the manufacturer in his turn finds orders declining and cuts production. So a 15% decline at the retail level is magnified at the wholesale, manufacturing, and mining levels. This is going on now, and it packs dynamite.

Problem Is Not a Simple Inventory Run-Off

There is more dynamite than this, however. The problem is not as simple as letting inventory run off. Many people have borrowed too much to finance home, furniture, television and other household appliances, and car, while earning overtime pay. A reduction in the work week to five days or 40 hours can embarrass such people, while further reduction to four or three days, if long continued, can be downright disastrous. Then the truck backs up to the door and takes away everything but the mother-in-law, and why can't it take her? Wholesale defaults are not yet part of the picture, but collection difficulties seem to be increasing, and it is certainly true that the burden of debt which many carry has precluded expenses that are not absolutely necessary for day-to-day living. And at the factory pay window, there are more notices of furlough.

Whatever may be the merits of consumer debt, or its dangers, if defaults begin to occur on any significant scale, the incomes of those who receive payments fail, and they in turn must curtail their purchases and perhaps default. If the level of incomes falls and this defaulting takes place in a fanwise movement, it can spread to all corners of the economy. Repossessed goods come onto the market, and the production of new goods is curtailed, while increasing unemployment or reduced employment encourage further defaults. And so a tapering off becomes a downward spiral getting worse and worse, with prices falling and goods moving at sacrifice prices until finally supply is sufficiently reduced that orders begin to outstrip production. This is an argument against excessive indebtedness, not against moderate consumer debt.

A further danger lies in the financing of production. As bond interest is deductible in computing the corporate income tax, and because trading on the equity makes possible greater dividend returns to stockholders, business executives have issued far greater amounts of bonds than of stocks since the war. Leverage has been increased further by extensive issues of cumulative preferred stocks. The burden of indebtedness and of preferreds is easily bearable in prosperity, but comes the turn of the tide and business profits shrink faster than revenues and expenses. Debt then becomes more and more difficult to bear until defaults occur, and if cumulative preferred stock is also outstanding, the common may pay no dividends. Public utilities are believed to be immune to this because their revenues are more stable than those of industrial firms, but even here the prudent investor will choose the best. In addition to corporate issues, state and local governments have been flooding the markets with new bond issues until one wonders when the taxpayers will call a halt. The low estate to which debts of all kinds, corporate, state, municipal, and individual, sank in the 1930's should be a warning against wishful thinking again. But then, times have changed. Haven't you heard? It's going to be a mild adjustment, you know.

The Banking System

Any bright spots? Yes, the banking system seems to be in better condition than in the 1920's. Undoubtedly the extremely disastrous condition of the early 1930's was due in large measure to the near breakdown of the system. But the greater liquidity due to the large holdings of government bonds and other factors makes them safer, unless the bond market should experience distress selling under the impact of huge unexpected offerings, but this is not likely. It may be questioned how the savings and loan associations would fare if the owners decided to withdraw their funds. They are relatively unliquid, though the Federal Home Loan Banks could aid. But if the insurance of bank deposits should instill requisite confidence, the repetion of bank closings is not to be expected. However, the slump of 1937-1938 was not accompanied by distress in banking circles.

Suggestions for Preventing a Slide

What of the suggestions made for preventing the silde? The tax proposals of the Administration may help. At least it is good to know that business is no longer the whipping boy. But the encouragement given to business to invest and thus encourage employment will be quite ineffective if business executives cannot sell what they have produced or can make. Businessmen do not buy more capital goods just because tax laws favor them, or because the Federal Reserve lowers the rediscount rate and encourages banks to lend. A company already adequately equipped does not buy more just on these accounts. Advanced estimates of what business will invest during the coming year are of little validity. These express intentions, not firm commitments, and grandiose schemes grandiosely announced may be quietly shelved without the public's ever knowing it.

On the whole, I have no confidence in the optimistic utterances of public officials, business executives, and alleged economists. Business executives who would predict a serious decline would spoil their own markets right now, spoil the markets of other businesses, and incur the wrath of colleagues. That is not to be expected. Politicians looking towards continuation in office feel that they cannot afford to predict gloom. But one wonders what would happen if a political leader actually faced up to the real issue and the worst possibilities and promised to make the best of it, laying the blame where he finds it—being the statesman instead of the expedient politician. As for the professional economists, some of them in classic Halls of Ivy, their pontifications make me tired. Maybe all of these people will be right, and I wrong, but I reserve my right under the Constitution to hold my nose when they speak, if I want to. And one answer to businessmen's assurances is that businessmen are sometimes very wrong in their judgments. How many companies who have so easily financed their supposed needs by the issuance of bonds and preferred stocks, especially the cumulative, will find that they have perpetrated further blunders? And how about excessive loans on homes? Consumer debt at new highs? Local government units with splendid new debts? The answers do not come in prosperity.

Will Liquid Savings Be a Cushion?

The large amount of liquid savings, perhaps the greatest in our history, may not be the cushion against depression that many expect. These savings date from wartime earnings and restricted consumption. They are real. But their ownership has changed. They have passed from the hands of many who not only spent them, but went further and incurred debts until they have no cushion at all, and now rest in the hands of more conservative, prudent people who are not easily induced to spend, who are not so susceptible to the salesmen's guile.

America has a group of almost newly rich, not in the sense of millionaires who live ostentatious lives, but a group of highly paid factory workers who in the last decade have tasted luxuries they never knew they could have. This is conjecture, of course, but is it not possible that many of these have been more eager than prudent, more pliant to salesmen's lures than wise, who may have brought themselves and uncounted business firms to the brink of disaster? Only time will tell.

The President's plans to further the construction of homes by liberalizing the terms of purchase are of doubtful help. It does not sound sensible to encourage people who have practically nothing to go deeply into debt. Politically it is popular, certainly more so than getting at the fundamental causes for costly housing, namely, the profits and practices of contractors who gouge, and the featherbedding of the unionized building trades. But regardless of the Administration's desires, they are not likely to be realized. Lenders are much more strict than they have been in the past. A banker has told me that his bank could make many more home loans than it has been making, but instead is rejecting applications right and left. The dollar value of loans made in 1953 is approximately a third less than in 1952. A local savings and loan report shows that on Dec. 31, 1952, it had $1,083 thousand in loans in process. On Dec. 31, 1953, the corresponding figure was $538 thousand. This association claims to finance about one-half of the new homes in the area. How soon then will this show up in reduced housing starts? Is this representative of the national scene? Admittedly one swallow does not make a summer or a drunken binge, but it is safe to assume that many other communities are in a similar situation, judging from reports and observations. Some day whole areas now feverishly building will be revealed as overbuilt, not in terms of "need" but in terms of what people can afford to pay for or will buy. Thus prudent lenders are doing just the opposite of declared Administration policy.

The Stock-Market Attitude

The stock market seems to give the lie to prophets of doom. Now at writing, just below the Dow-Jones industrial average of 290, it has been a few points higher, the highest since 1930, and there are enthusiastic observers who think it will go higher. Some brokers urge caution, but in spite of the lessons of the past, 1929, 1930, 1931, 1937, etc., no one seems to advise clients to sell. And if he had so advised a few months or weeks ago, clients would have missed out on profits. Yet as recently as 1949 the Dow-Jones industrial average stood at 161. With business conditions deteriorating and more alarming than in 1949, an average of 290 does not seem sensible or even sane. Yet read what one "expert observer" of a brokerage firm wrote, as quoted Jan. 19, 1954, in a well-known financial daily: "On balance it seems reasonable to think that most of the adverse developments long have been anticipated and now that they are being manifested they seem likely to lose fearsome aspects; on the other hand, the stimulating effect of present and prospective tax relief may not have been taken into account. The most reassuring psychological factor is the public's cautious attitude which has averted speculative excesses in the past and has removed the need for corrective readjustment." Besides this "expert" there are some other "experts" who assert that since the market never predicts more than six months ahead, the present slump in business will be over in six months! And they pay those men salaries—in money yet! They may be right, but the prudent man will remember that the market is quite unreliable as a forecaster of business changes, and that every severe stock market decline has been preceded by a vigorous run-up motivated by unwarranted optimism.

Much more important is what is going on in the bond market. The rate of interest rose to a high point last spring or summer and has since declined. Now it seems stabilized at a low level, and the government's 91-day treasury bills have been issued to yield less than 0.9%. Bonds have risen, but now seem to be stabilized at least for the time. Bank loans are declining. Everything points to a lessened demand for capital funds, a slackening only beginning. The stock market can be very wrong; the bond market is more reliable.

This then is the crux of the situation: Deceleration with its train of unemployment, debt defaults, and further unemployment and cutbacks, has shown signs of starting, but only just starting. Can it be stemmed? No one can say. It is not my purpose to take a definite stand as so many do and say that it will deteriorate only by a certain percentage and no further, but to warn complacent people that this *can* be a real depression whose amplitude is not subject to any prediction. We hope it will not be severe, but it most certainly can be, and this is no time for complacency.

Will We Have Deficit Financing?

It is encouraging to note that the President is not running in panic to the panaceas of deficit financing—yet. If he wants to be the great statesman, he will avoid this in spite of the exigencies of political expediency. The solution to the problem does not lie in trying to prevent the necessary readjustments by keeping the boom going.

The Guaranty Trust Company of New York in its January, 1954 issue of "The Guaranty Survey" says, among other things: ". . . The real task of readjustment after a boom is not performed by government but by business itself under the pressure of contracting markets and tightening competition. Deadwood is cut out. Inventories are reduced. Unsound projects are abandoned. Price and cost relationships are realigned. Operating inefficiencies in labor and management are eliminated or diminished. The quality of goods and services is improved. Inflated values are written down to realistic levels. Consumers' wants are re-examined, and production schedules are altered accordingly. The 'lost art' of salesmanship is rediscovered. . . . Inflationary 'shots in the arm' administered by the government may seem to offer an easy way out. Inflation or 'reflation,' however, is no substitute for readjustment. It merely prolongs the maladjustments and strengthens the forces tending to cause recession. The outcome must be either a truly disastrous business slump or a chronic inflation. And chronic inflation, as many countries have learned to their cost, is no solution for anything, not even for business recessions.

"The arguments used by the advocates of governmental intervention seem to indicate that the 'pump-priming' superstition persists, despite the flat failure of the 1930's. . . . The effects of the inflationary stimulus lasted only as long as the stimulus was applied."

It is to be hoped that the Eisenhower Administration will not be high-pressured into make-shift and plausible aids to pressure groups under the pretense of aiding the nation. When any group is subsidized, it is at the cost of other groups, either through taxes or inflation, and the welfare of the nation becomes secondary. The danger is that the Administration will try to "help" instead of encouraging business, labor, and individuals to make the needed adjustment, and that an inflationary way of life will be adopted. And if adopted once more, it is likely to become permanent and the dollar will go the way of the French franc, the Italian lira, and the Hungarian pengoe. It could easily happen here. Does the Administration have the courage to face up to the pressure groups and political demagogues and damn them to their faces? If one judges by the Republican panic following the election of a Democrat in Wisconsin last fall, he may be pardoned for questioning the courage of the Administration. A reading of Rudyard Kipling's "If" is recommended.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Ernest Antoni is now connected with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — George A. Hodson has become connected with B. C. Morton & Co., Penobscot Buildling.

Joins White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George D. Meloy is with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

With Ratterman & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Walter F. Hadley, Jr., has become affiliated with Ratterman & Co., 307 East Fourtn Street.

Joins Edw. Siegler Co.

CLEVELAND, Ohio—Roy Klopper has become connected with Edward N. Siegler & Co., Union Commerce Arcade, members of the Midwest Stock Exchange.

William K. Barclay, Jr.

William K. Barclay, Jr., of Philadelphia, a partner in Stein Bros. & Boyce, passed away March 19 at the age of 57. Mr. Barclay was a former President of the Philadelphia-Baltimore Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Alaska Telephone Corp., Seattle, Wash.
Feb. 10 (letter of notification) $270,000 face amount of 6% 10-year convertible debentures, series B. **Price**—70% of principal amount. **Proceeds**—For general operating expenses and working capital. **Underwriter**—Tellier & Co., New York. **Offering** — Not expected until the middle of April.

★ **Allegheny Natural Gas & Oil Corp. (Del.)**
March 19 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—60 cents per share. **Proceeds** — To drill and complete wells, for improvements, to acquire additional oil and/or gas producing and non-producing properties, leases or interests and for working capital. **Office**—Titusville, Pa. **Underwriters**—S. B. Cantor Co. and Northeastern Securities Co., both of New York.

● **Allied Artists Pictures Corp. (3/30)**
March 8 filed 150,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To be used in the production, distribution and exploitation of motion pictures and for working capital. **Underwriter** — Emanuel, Deetjen & Co., New York.

American-Marietta Co., Chicago, Ill.
March 6 (letter of notification) 8,040 shares of common stock (par $2). **Price**—At market (but not to exceed $25 per share). **Office**—101 East Ontario Street, Chicago, Ill. **Underwriter**—The Ohio Company, Columbus, Ohio.

● **American Tidelands, Inc. (3/30)**
March 3 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction work and purchase of drilling machinery and equipment from Alexander Shipyard, Inc.; for operating expenses; and payment of indebtedness. **Office**—New Orleans, La. **Underwriters**—Crerie & Co., Houston, Texas; and Gearhart & Otis, Inc. and Barrett Herrick & Co., both of New York.

★ **American Transportation Insurance Co., Kansas City, Mo.**
March 17 filed 20,000 shares of capital stock (par $100). **Price**—$150 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—None.

★ **Arcturus Electronics, Inc.**
March 15 (letter of notification) 100,000 shares of Class A common stock (par one cent). **Price**—At the market (15 cents each to underwriter). **Proceeds**—To Delbert E. Replogle, President. **Underwriter**—Gearhart & Otis, Inc., New York.

★ **Arkansas Power & Light Co. (4/20)**
March 18 filed 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on April 20.

Atlas Uranium Corp.
March 5 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office** — Judge Building, Salt Lake City, Utah. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

● **Bolsa Chica Oil Corp.**
Feb. 16 (letter of notification) 77,624 shares of capital stock (par $1) being offered for subscription by stockholders of record March 9 at rate of one new share for each seven shares held (with an oversubscription privilege); rights expire April 9. **Price**—$3.75 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—727 West Seventh Street, Los Angeles, Calif. **Underwriter**—None.

★ **Bureau of National Affairs, Inc.**
March 19 (letter of notification) 700 shares of common stock (no par). **Price**—$32 per share. **Proceeds**—For working capital, etc. **Office**—1231—24th Street, N. W., Washington 7, D. C. **Underwriter**—None.

● **Cahokia Downs, Inc., East St. Louis, Ill. (3/30)**
Feb. 15 filed $1,400,000 of 10-year 6% first mortgage bonds due Jan. 1, 1964, and 140,000 shares of common stock (par $1). **Price**—Of bonds, at 100% of principal amount; and of stock, $1.50 per share. **Proceeds**—For construction and operation of racing plant. **Underwriter**—Dixon Bretscher Noonan Inc., Springfield, Ill.

★ **Capper Publications, Inc., Topeka, Kansas**
March 23 filed $2,000,000 of series six 5-year first mortgage 4% bonds and $2,000,000 of series seven 10-year first mortgage bonds. **Price** — At 100% of principal amount. **Proceeds**—To advance sums to Topeka Broadcasting Association, Inc., a subsidiary, and for redemption of certain bonds. **Underwriter**—None.

★ **Carolan Productions, Inc. (N. J.)**
March 17 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and production of films. **Office**—48 Harvey Road, Clifton, N. J., c/o Fred C. Zusi. **Underwriter**—None.

Carr-Consolidated Biscuit Co.
March 15 (letter of notification) 40,000 shares of common stock (par $1). **Price** — At market (estimated at around par). **Proceeds** — To three selling stockholders. **Underwriter**—Auchincloss, Parker & Redpath, New York.

★ **Central Power & Light Co. (4/12-16)**
March 18 filed $18,000,000 of first mortgage bonds, series F, due April 1, 1984. **Proceeds**—To redeem $8,000,000 series E 4⅛% bonds due May 1, 1983, and for additions, extensions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Eastman, Dillon & Co., Goldman, Sachs & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp. and Kidder, Peabody & Co. (jointly). **Bids** — Tentatively expected week of April 12.

Cities Service Co.
March 9 filed $4,431,250 participations in the Employees Thrift Plan of this company and participating subsidiary companies, and 50,000 shares of common stock (par $10) to be purchasable under the plan.

★ **Clifden Rocktool Co., Inc.**
March 19 (letter of notification) 140,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To repay loans, to erect new factory building and install new machinery and equipment and for working

NEW ISSUE CALENDAR

March 25 (Thursday)
Central RR. of New Jersey ____ **Equip. Trust Ctfs.**
(Bids 11:30 a.m. (EST) $1,815,000
Illinois Central RR. ____ **Equip. Trust Ctfs.**
(Bids noon CST) $6,300,000

March 26 (Friday)
Kropp Forge Co. ____ **Common**
(L. D. Sherman & Co. and Sincere & Co.) 40,425 shares
Mountain States Telephone & Telegraph Co. ____ **Common**
(Offering to stockholders—no underwriting) 487,248 shares

March 29 (Monday)
Onego Corp. ____ **Common**
(Langley-Howard, Inc.) $300,000
Pacific Power & Light Co. ____ **Bonds**
(Bids noon EST) $8,000,000

March 30 (Tuesday)
Allied Artists Pictures Corp. ____ **Preferred**
(Emanuel, Deetjen & Co.) $1,500,000
American Tidelands, Inc. ____ **Common**
(Crerie & Co.; Gearhart & Otis, Inc.; and Barrett Herrick & Co.) $2,000,000
Cahokia Downs, Inc. ____ **Bonds & Common**
(Dixon Bretscher Noonan, Inc.) $1,610,000
San Diego Gas & Electric Co. ____ **Bonds**
(Bids 8:30 a.m. PST) $17,000,000
Tennessee Gas Transmission Co. ____ **Preferred**
(Stone & Webster Securities Corp. and White, Weld & Co.) $10,000,000

March 31 (Wednesday)
Winn & Lovett Grocery Co. ____ **Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000

April 1 (Thursday)
Landa Oil Co. ____ **Bonds**
(Lynch, Allen & Co.) $100,000
Light Metals Refining Corp. ____ **Common**
(Philip Gordon & Co., Inc.) $5,000,000
Magnolia Park, Inc. ____ **Debentures & Common**
(Gearhart & Otis, Inc.; Hunter Securities Corp.; and T. J. Feibleman & Co.) $2,750,000
Signature Loan Co., Inc. ____ **Preferred**
(Simon, Strauss & Himme; William N. Pope, Inc.; and Chace, Whiteside, West & Winslow, Inc.) $648,076
Signature Loan Co., Inc. ____ **Preferred & Common**
(Simon, Strauss & Himme; William N. Pope, Inc.; Chace, Whiteside, West & Winslow, Inc.; A. M. Kidder & Co.; Draper, Sears & Co. and Chilson, Newbery & Co.) $456,599

April 5 (Monday)
Market Basket ____ **Common**
(Offering to stockholders—underwritten by Bateman, Eichler & Co.; The First California Co., Inc., and William R. Staats & Co.) 28,830 shares
North American Uranium & Oil Corp. ____ **Common**
(Israel & Co.) $1,500,000
Pennsylvania Power & Light Co. ____ **Common**
Offering to stockholders—may be underwritten by Drexel & Co. and The First Boston Corp.) 704,917 shares

April 6 (Tuesday)
Community Public Service Co. ____ **Bonds**
(Bids 11 a.m. EST) $3,000,000
ElectroData Corp. ____ **Common**
(Blyth & Co., Inc.) $1,575,000
Georgia Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $11,000,000
Public Service Co. of New Mexico ____ **Common**
(Offering to stockholders—underwritten by Allen & Co.) 138,551 shares
Safeway Stories, Inc. ____ **Preferred**
(Offering to stockholers—underwritten by Merrill Lynch, Pierce, Fenner & Beane) $26,874,000
Standard Uranium Corp. ____ **Common**
(Gearhart & Otis, Inc. and Crerie & Co.) $1,787,500
Western Kentucky Gas Co. ____ **Common**
(Equitable Securities Corp. and J. J. B. Hilliard & Son) 125,000 shares

April 7 (Wednesday)
Inter-Mountain Telephone Co. ____ **Common**
(Courts & Co.) 142,500 shares

April 8 (Thursday)
General Gas Corp. ____ **Common**
(Kidder, Peabody & Co.) 100,000 shares
West Texas Utilities Co. ____ **Preferred**
(Bids to be invited) $6,000,000
Winston & Newell Co. ____ **Preferred**
(J. M. Dain & Co.; Piper, Jaffray & Hopwood and Woodard Elwood Co.) $600,000

April 12 (Monday)
Central Power & Light Co. ____ **Bonds**
(Bids to be invited) $18,000,000
Gas Service Co. ____ **Common**
(Bids to be invited) 1,503,400 shares
Gulf Insurance Co. ____ **Common**
(Offering to stockholders—no underwriting) 5,000 shares
National Fuel Gas Co. ____ **Debentures**
(Bids 11 a.m. EST) $15,000,000

(April 13 (Tuesday)
Southern Indiana Gas & Electric Co. ____ **Bonds**
(Bids 11 a.m. EST) $8,000,000
Texas Utilities Co. ____ **Common**
(Bids 11 a.m. EST) 250,000 shares

April 14 (Wednesday)
Northern States Power Co. ____ **Common**
(Offering to stockholders—bids 10:30 a.m. CST) $1,219,856 shares
Ohio Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $20,000,000
Ohio Power Co. ____ **Preferred**
(Bids 11 a.m. (EST) $5,000,000
York Corp. ____ **Debentures & Common**
(The First Boston Corp. and Kidder, Peabody & Co.)

April 20 (Tuesday)
Arkansas Power & Light Co. ____ **Preferred**
(Bids 11 a.m. EST) $7,000,000
Claussen Bakeries, Inc. ____ **Common**
(Johnson, Lane, Space & Co.) 225,000 shares
Northern States Power Co. ____ **Preferred**
(Bids 10:30 a.m. CST) $15,000,000
West Penn Power Co. ____ **Bonds**
(Bids to be invited) $12,000,000

April 21 (Wednesday)
Columbia Gas System, Inc. ____ **Debentures**
(Bids to be invited) $50,000,000

April 27 (Tuesday)
General Acceptance Corp. ____ **Debentures**
(Paine, Webber, Jackson & Curtis) $4,000,000

May 4 (Tuesday)
Montana Power Co. ____ **Bonds**
(Bids to be invited) $8,000,000
Montana Power Co. ____ **Preferred**
(Bids to be invited) $7,000,000

May 5 (Wednesday)
New Jersey Bell Telephone Co. ____ **Bonds**
(Bids 11 a.m. EDT) $25,000,000

May 6 (Thursday)
Cleveland Electric Illuminating Co. ____ **Bonds**
(Bids to be invited) about $20,000,000

May 11 (Tuesday)
Consolidated Edison Co. of New York, Inc. ____ **Bonds**
(Bids to be invited) $50,000,000

May 12 (Wednesday)
Montana Power Co. ____ **Debentures**
(Bids to be invited) $18,000,000

May 14 (Friday)
First Nat'l Bank of Toms River, N. J. ____ **Common**
(Offering to stockholders) $150,000

May 17 (Monday)
General Public Utilities Corp. ____ **Common**
(Offering to stockholders—Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent) about 600,000 shares
Virginia Electric & Power Co. ____ **Bonds**
(Bids to be invited) $25,000,000

May 19 (Wednesday)
Utah Power & Light Co. ____ **Bonds**
(Bids noon EDT) $15,000,000

May 25 (Tuesday)
Consolidated Natural Gas Co. ____ **Debentures**
(Bids 11:30 a.m. EDT) $25,000,000

capital. **Business** — Manufacturers rock drilling tools, etc. **Office**—Green Pond Road, Rockaway, N. J. **Underwriter**—None.

Coleman Engineering Co., Inc., Los Angeles, Cal.
March 8 (letter of notification) 7,700 shares of class A common stock (par $1). **Price**—$5.62½ per share. **Proceeds**—For working capital. **Underwriter**—Wilson, Johnson & Higgins, San Francisco, Calif.

★ Columbia Gas System, Inc. (4/21)
March 22 filed $50,000,000 of subordinated convertible debentures due 1984 to be offered for subscription by common stockholders of record April 21 on the basis of $100 of debentures for each 36 shares held. **Price**—100% of principal amount. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on April 21.

Community Public Service Co. (4/6)
March 1 filed $3,000,000 of first mortgage bonds, series D, due March 1, 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc. **Bids**—To be received up to 11 a.m. (EST) on April 6 at 90 Broad Street, New York, N. Y.

★ Cornbelt Insurance Co., Freeport, Ill.
March 17 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For investment. **Underwriter**—None.

★ Denver Club, Denver, Colo.
March 17 (letter of notification) $200,000 of 3½% unsecured coupon debentures due May 31, 1969. **Price**—At par. **Proceeds**—To Expand or remodel new home. **Office** 1730 Welton Street, Denver, Colo.

● Devon-Leduc Oils Ltd., Winnipeg, Canada
March 10 filed $2,000,000 10-year 5% convertible sinking fund leasehold mortgage bonds due May 1, 1964. **Price**—100% of principal amount. **Proceeds**—To redeem outstanding bonds, repay bank loan and for general corporate purposes, including drilling commitments in the Stony Plain India Reserve and in participation of the development of the Buck Lake Area. **Underwriter**—McLaughlin, Reuss & Co., New York. **Offering**—Expected in early part of April.

★ Eagle Oil & Supply Co., Inc., Quincy, Mass.
March 16 (letter of notification) 2,000 shares of convertible preferred (par $20), 2,000 shares of class A stock (par $1) and 2,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$25 per unit. **Proceeds**—For general corporate purposes. **Office**—77 Woodbine St., Quincy, Mass. **Underwriter**—None.

● ElectroData Corp., Pasadena, Calif. (4/6)
March 15 filed 450,000 shares of common stock (par $1), of which 435,000 shares are to be offered for subscription by common stockholders of Consolidated Engineering Corp. at rate of one share for each two Consolidated shares held about April 6; rights to expire about April 26. **Price** — $3.50 per share. **Proceeds** — To repay advances from Consolidated and for working capital, etc. **Business**—To design, develop, manufacture and sell or lease standard and specialized electronic data processing equipment for scientific, industrial and commercial uses. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Empire Oil & Refining Co., Inc., Tyler, Texas
March 9 (letter of notification) 60,000 shares of common stock (par five cents). **Price**—At market (estimated at 70 cents per share). **Proceeds** — To underwriter, Charter Securities Corp., New York.

★ Equity Fund, Inc., Seattle, Wash.
March 22 filed 500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Fairbanks, Morse & Co.
March 22 filed 100,000 shares of common stock (no par) to be offered pursuant to the company's 1954 Employees Stock Purchase Plan.

Fidelity Acceptance Corp., Minneapolis, Minn.
Jan. 26 (letter of notification) 2,800 shares of 6% cumulative preferred stock, class E. **Price**—At par ($25 per share). **Proceeds**—To be available to subsidiaries and reduce outstanding bank loans. **Office**—820 Plymouth Bldg., Minneapolis, Minn. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn.; and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

★ Firth-Loach Metals, Inc., Pittsburgh, Pa.
March 18 filed 33,400 shares of capital stock (par $25). **Price** — To be supplied by amendment. **Proceeds**—For expansion, equipment and working capital. **Underwriter** —None.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

★ Gas Service Co., Kansas City, Mo. (4/12-16)
March 18 filed 1,500,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To Cities Service Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly); Union Securities Corp. Missouri Public Service Co. has indicated it may submit another bid. **Bids**—Tentatively expected week of April 12.

★ General Gas Corp., Baton Rouge, La. (4/8)
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

General Telephone Co. of the Southwest
March 4 filed 75,000 shares of 5½% cumulative preferred stock (par $20). **Price**—$21 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None, but Mitchum, Tully & Co., San Francisco, Calif., will assist and advise the company.

Georgia Power Co. (4/6)
March 10 filed $11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on April 6 at 20 Pine St., New York City.

★ Gillette Co., Boston, Mass.
March 11 (letter of notification) a maximum of 6,000 shares of common stock (par $1) to be offered to officers and employees of company pursuant to Employees Stock Purchase Plan. **Price**—In the aggregate will not exceed $300,000. **Proceeds**—None to company, stock to be purchased in open market. **Office**—Gillette Park, Boston, Mass. **Underwriter**—None.

Goebel Brewing Co.
Feb. 24 filed 200,000 shares of 60-cent convertible preferred stock (par $10) being offered to common stockholders of record March 12 on the basis of one share of preferred stock for each seven shares of common stock held; rights to expire on March 31. **Price**—$10 per share. **Proceeds**—For expansion and working capital. **Underwriters**—Van Alstyne, Noel & Co., New York, and Nauman, McFawn & Co., Detroit, Mich.

Growers Container Corp., Salinas, Calif.
Feb. 15 filed 1,450,000 shares of common stock, to be offered primarily to individuals and firms in the Salinas Valley, Imperial Valley, Yuma, Phoenix, and other districts in and outside of San Francisco and Arizona, who are engaged in or allied to the growing and shipping industry. **Price**—At par ($1 per share). **Proceeds**—Construction of plants, acquisition of equipment, and for working capital. **Business**—Primarily manufacture of cartons and bags used for shipment of various vegetables. **Underwriter**—None.

Harlan-Franklin Oil Corp., Jersey City, N. J.
March 1 (letter of notification) 297,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to acquisition of property and related activities with respect to oil business. **Office**—15 Exchange Place. Jersey City, N. J. **Underwriter**—Luster Securities Co., 26 Journal Square, Jersey City. New Jersey.

★ Inter-Mountain Telephone Co. (4/7)
March 18 filed 142,500 shares of common stock (par $10) to be offered first for subscription by common stockholders of record March 30 on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Courts & Co., Atlanta, Ga.

★ Johnston Adding Machine Co. ,
March 16 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For tooling and dies. **Office**—402 N. Carson St., Carson City, Nev. **Underwriter**—None.

★ Johnston Mutual Fund, Inc., N. Y.
March 19 filed 25,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Jupiter Steamship Co., Wilmington, Del.
Feb. 16 (letter of notification) 20,000 shares of common stock (no par) to be initially offered to stockholders. **Price**—$10 per share. **Proceeds**—To pay balance due on two ships and for working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—None.

★ Kropp Forge Co., Cicero, Ill. (3/26)
March 11 (letter of notification) 40,425 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $2.75 per share) and will not exceed an aggregate of $150,000. **Proceeds**—To Estate of Emma C. Kropp. **Underwriters**—L. D. Sherman & Co., New York, and Sincere & Co., Chicago, Ill.

● Landa Oil Co., Dallas, Texas (4/1)
Feb. 26 (letter of notification) $100,000 of 10-year 6% sinking fund bonds, series B, dated April 1, 1954 and due March 31, 1964 (callable at 103% and accrued interest) and 7,250 shares of common stock. **Price**—For stock, $4 per share and for bonds at face amount (in denominations of $100, $500 and $1,000 each). **Proceeds** — For working capital. **Office**—5738 North Central Expressway, Landa Building, Dallas, Texas. **Underwriter**—Lynch, Allen & Co., Inc., Landa Building, Dallas, Texas.

★ Lenel, Inc., Dallas, Tex.
March 15 (letter of notification) 15,000 shares of preferred stock (par $10) and 15,000 shares of common stock (par one cent). **Price**—At par. **Proceeds**—To certain principal stockholders. **Office** — 4216 Main St., Dallas, Tex. **Underwriter**—None.

Light Metals Refining Corp., New York (4/1)
Feb. 15 filed 1,250,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For construction and equipment of control plant, and main plant, working capital, advance royalties and reserves. **Business** — To refine beryllium ore and market the products. **Underwriter**—Philip Gordon & Co., Inc., New York.

Los Angeles Drug Co.
Jan. 28 filed $178,000 of 15-year 5% sinking fund debentures, due Oct. 1, 1966, and 50,000 shares of capital stock (no par), the latter to be first offered for subscription by stockholders. **Price**—For debentures, at par; and for stock, $10 per share. **Proceeds**—To finance expanded merchandise inventory and operating equipment (new building), and for working capital. **Underwriter**—None.

● Magnolia Park, Inc. (4/1)
Jan. 29 filed $2,500,000 of 6% subordinated convertible debentures due 1969 and 250,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—For construction of racing plant and for expenses incident to racing activities. **Underwriters**—Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York; and T. J. Feibleman & Co., New Orleans, La.

● Market Basket, Los Angeles, Calif. (4/5)
March 15 filed 28,830 shares of common stock (par 50 cents) to be offered for subscription by stockholders of record about April 1, on a one-for-ten basis; rights to expire on April 16. **Price**—To be supplied by amendment. **Proceeds**—For improvements and working capital. **Underwriters**—Bateman, Eichler & Co., The First California Co., Inc., and William R. Staats & Co., all of Los Angeles, Calif.

★ Master Rule Manufacturing Co., Inc.
March 22 (letter of notification) $110,000 of 6% convertible mortgage bonds. **Price**—At face amount (in denominations of $500 each). **Proceeds**—To pay off mortgage and for working capital. **Business**—Manufactures Interlox Slide Rule. **Office** — Middletown, N. Y. **Underwriter**—None.

Merritt-Chapman & Scott Corp., New York
Dec. 31 filed 513,594 shares of common stock (par $12.50) being offered in exchange for 1,078,546.25 shares of authorized and issued common stock (par $1) of Newport Steel Corp. at rate of one share of Merritt-Chapman stock for each 2.1 shares of Newport stock. Offer will expire on March 27. **Underwriter**—None.

★ Meteor Air Transport, Inc.
March 17 (letter of notification) 199,800 shares of class A stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and purchase of aircraft. **Business**—A contract air carrier. **Office**—Teterboro Air Terminal, Teterboro, N. J. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

★ Miner Pulley & Transmission Co., Denver, Colo.
March 18 (letter of notification) 85,700 shares of capital stock (par $1). **Price**—$3 per share. **Proceeds**—For research development, operating and related expenses. **Office**—1201 East 58th Street (Box 2880), Denver, Colo. **Underwriter**—Miner Sales Co., Denver, Colo. (see below).

★ Miner Sales Co., Denver, Colo.
March 18 (letter of notification) 21,425 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For sales, expenses, etc. **Office**—1201 East 58th Street (Box 2880), Denver, Colo. **Underwriter**—None.

★ Miro-Kohl Products, Inc., Reno, Nev.
March 17 (letter of notification) 125,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expansion and working capital. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Jan. 5 filed 26,666 shares of special common stock (par $75—limited dividend) and $1,500,000 of certificates of participation (to be sold in multiples of $75—5% interest). **Proceeds**—From sale of these securities, together with bank borrowings, are to be used for expansion of facilities. **Underwriter**—None. Sales will be handled by company employees.

Missouri Public Service Co.
Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders on a share-for-share basis (with a 13-day standby). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire capital stock of Gas Service Co. (a subsidiary of Cities Service Co.). **Underwriter**—Kidder, Peabody & Co., New York. On Feb. 25, the sale of Gas Service Co. was called off by Cities Service Co., Missouri Public Service Co. plans to submit another bid for Gas Service stock.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

Mountain States Telephone & Telegraph Co. (3/26)
March 5 filed 487,248 shares of capital stock to be offered to stockholders of record March 26 on the basis of one new share for each four shares held; rights to expire on April 30. About 86.66% of the presently outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay

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advances from parent company and for new construction. Underwriter—None.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ **National Alfalfa Dehydrating & Milling Co.**
March 16 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At the market ($10 per share on March 2). **Proceeds** — To Caro-Green, Inc., stockholders who will receive shares as part of a total of 75,000 shares to be issued in exchange for certain assets of Caro-Green, Inc. **Office**—Mamar, Colo. **Underwriter**—None.

National Fuel Gas Co. (4/12)
March 9 filed $15,000,000 sinking fund debentures due 1979. **Proceeds** — To purchase certain shares of subsidiaries, who will use the proceeds to repay bank loans incurred for construction. **Underwriters**—For any debentures to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 12 at 11 Broad St., New York, N. Y.

● **National Union Fire Insurance Co.**
Feb. 26 filed 200,000 shares of capital stock (par $5) being offered for subscription by stockholders of record March 19 on the basis of one new share for each two shares held; rights to expire on April 19. **Price**—$30 per share. **Proceeds**—To be added initially to the company's general funds to be invested in securities which are qualified as legal investments. **Underwriter**—The First Boston Corp., New York.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held. The offer will expire on April 24. **Financial Advisor**—The First Boston Corp., New York.

New Haven Board & Carton Co.
March 9 (letter of notification) a maximum of 1,000 shares of common stock (par $12.50). **Price**—At market (estimated at $47.40 per share). **Proceeds**—To Joseph S. Miller, President and a director. **Underwriter**—F. Eberstadt & Co., Inc., New York.

New Yorker Magazine, Inc.
Feb. 23 (letter of notification) 2,400 shares of common stock (par $1). **Price**—$20.25 per share. **Proceeds**—To a selling stockholder. **Underwriter** — Silberberg & Co., New York.

North American Uranium & Oil Corp., N. Y. (4/5)
March 1 filed 750,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, including payment of balance due on certain claims and properties. **Underwriter**—Israel & Co., New York.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

● **Northern States Power Co. (Minn.) (4/14)**
March 16 filed 1,219,856 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held on April 15 (with an oversubscription privilege); rights to expire on May 4. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. (jointly). **Bids**—Tentatively expected to be received up to 10:30 a.m. (CST) on April 14 at 231 La Salle St., Chicago 4, Ill.

Northern States Power Co. (Minn.) (4/20)
March 16 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. **Bids**—Tentatively expected to be received up to 10:30 a.m. (CST) on April 20.

★ **Oakland Loan Co., Pontiac, Mich.**
March 17 (letter of notification) $60,000 of 5% subordinated debenture notes due April 1, 1959 and $125,000 of 6% subordinated debenture notes due April 1, 1963. **Price**—At par. **Proceeds**—For working capital and redemption of outstanding notes. **Office** — 202 Pontiac State Bank Building, Pontiac, Mich. **Underwriter**—None.

Ohio Power Co. (4/14)
March 12 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Coffin & Burr, Inc. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

Ohio Power Co. (4/14)
March 12 filed 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Kuhn, Loeb & Co., A. C. Allyn & Co. Inc., and Coffin & Burr, Inc. (jointly); Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

● **Onego Corp., Uniontown, Pa. (3/29)**
March 12 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan and to develop oil and gas properties. **Office**—52 East Main Street, Uniontown, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

Pacific Power & Light Co. (3/29)
Feb. 25 filed $8,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Bear Stearns & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to noon (EST) March 29 in Room 2033, Two Rector St., New York, N. Y.

Pennsylvania Gas Co.
Feb. 25 (letter of notification) 17,526 shares of capital stock (no par) to be offered for subscription by minority stockholders of record March 19 on basis of one new share for each 12½ shares held; rights to expire on April 26. National Fuel Gas Co., majority stockholder, will subscribe for an additional 28,554 shares. **Price**—$15 per share. **Proceeds**—For acquisition and working capital. **Office**—Warren, Pa. **Underwriter**—None.

Pennsylvania Power & Light Co. (4/5)
March 12 filed 704,917 shares of common stock (no par) to be offered for subscription by common stockholders of record April 2 at the rate of one new share for each seven shares held; rights to expire on April 19. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

★ **People's Finance Corp., Denver, Colo.**
March 23 filed $300,000 of 6% 15-year convertible subordinated debentures. **Price**—100% of principal amount. **Proceeds**—For general corporate purposes, probably to reduce outstanding bank loans or repurchase of outstanding securities. **Underwriter** — Paul C. Kimball & Co., Chicago, Ill.

★ **People's Finance Corp., Denver, Colo.**
March 23 filed 2,904 shares of 6% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds** — For general corporate purposes. **Underwriter**—None. Company is also seeking registration of $164,000 of debentures, notes and preferred and common stock heretofore sold and holders thereof are to be offered the right to rescind their purchases.

★ **Petro Co., Reno, Nev.**
March 17 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—150 N. Virginia St., Reno, Nev. **Underwriter**—Clarence E. Melzer, Burlingame, Calif.

Platora Uranium Corp., Denver, Colo.
March 9 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Office**—407 University Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ **Probus Oil Co., Salem, Ill.**
March 17 (letter of notification) 4,900 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase and development of additional mineral interests. **Underwriter**—None.

● **Public Service Co. of New Mexico (4/6)**
March 17 filed 138,551 shares of common stock (par $5) to be offered for subscription by common stockholders of record April 1 at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Allen & Co., New York.

★ **Resort Airlines, Inc., Miami, Fla.**
March 17 (letter of notification) 1,087,030 shares of common stock (par 10 cents), to be offered for subscription by stockholders. **Price**—25 cents per share. **Proceeds**—For working capital. **Address** — Box 242, International Airport, Miami, Fla. **Underwriter**—None.

★ **Rocky Mountain Standard, Inc., Boulder, Colo.**
March 16 (letter of notification) 5,000,000 shares of common stock (par one mill). **Price**—Six cents per share. **Proceeds**—For general corporate purposes. **Office**—936 15th St., Boulder, Colo. **Underwriter**—None.

● **Safeway Stores, Inc., Oakland, Calif. (4/6)**
March 17 filed 268,740 shares of cumulative convertible preferred stock (par $100) to be offered for subscription by common stockholders at rate of one preferred share for each 13 shares of common stock held on April 5; rights to expire April 21. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

San Diego Gas & Electric Co. (3/30)
March 3 filed $17,000,000 first mortgage bonds, series E, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — To be received up to 8:30 a.m. (PST) on March 30 at 111 Sutter St., San Francisco 4, Calif.

★ **San Juan Uranium Corp., Oklahoma City, Okla.**
March 18 (letter of notification) 599,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds**—For exploration and mining expenses. **Office**—710 N. W. Second Street, Oklahoma City 2, Okla. **Underwriter**—None.

★ **Schonrock Manufacturing Co., Inc., San Angelo, Texas**
March 16 (letter of notification) 25,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada
Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) being offered in exchange for the 2,670,000 shares of Scurry Oils Ltd. stock on a share-for-share basis, and in exchange for the 534,320 shares of Rainbow Oil Ltd. stock on a basis of 3.8 shares of Scurry-Rainbow stock for each Rainbow Oil share. The offer expires April 5, **Underwriter**—None.

Sheraton Corp. of America, Boston, Mass.
Feb. 18 filed $3,273,800 of 6% debentures due April 1, 1979 (with warrants to purchase shares of common stock, par 50 cents) being offered for subscription by stockholders of record March 11 on the basis of $100 of debentures (with stock purchase warrants) for each 100 shares of common stock held; rights to expire March 29. **Price** — At par. **Proceeds** — Principally to reduce short-term bank loans. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass.; and Hamlin & Lunt, Buffalo, N. Y.

● **Signature Loan Co., Inc. (4/1-5)**
March 5 filed 58,916 shares of 7% cumulative convertible preferred stock (par $11) to be offered in exchange for outstanding participating preferred stock held at close of business March 25 on basis of two new shares of 7% stock for each old participating preferred share held. Subject to prior right of exchange, 47,806 shares of the new preferred are to be purchased by the below named underwriters and reoffered to public. **Price**—$11.50 per share. **Proceeds**—To retire participating preferred stock. **Underwriters** — Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., Boston, Mass. **Change in Name** — Company was formerly known as Federal Loan Co. of Pittsfield, Inc.

● **Signature Loan Co., Inc. (4/1-5)**
March 5 filed 29,458 shares of convertible preferred stock (par $11) and 29,458 shares of class A common stock (par $1) to be offered to holders of participating preferred stock in units of one share of each class of stock on the basis of one unit for each participating preferred share held as of record March 25. Company was formerly Federal Loan Co. of Pittsfield, Inc. **Price**—$15 per unit to stockholders and $15.50 per unit to public. **Proceeds** — For expansion and working capital. **Underwriters** — Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; and Chilson, Newbery & Co., Kingston, N. Y.

★ **Siouxland Finance Co., Sioux City, Iowa**
March 18 (letter of notification) $50,000 of debenture notes. **Price**—At face amount. **Proceeds**—For working capital. **Office**—605 Fifth Street, Sioux City 1, Iowa. **Underwriter**—None.

Somerset Telephone Co.
Feb. 25 (letter of notification) 5,600 shares of preferred stock. **Price** — At par ($5 per share). **Proceeds** — To establish three dial exchanges. **Office**—Norridgewock, Maine. **Underwriters**—E. H. Stanley & Co. and Clifford J. Murphy Co., of Waterville, Maine.

● **Southern Indiana Gas & Electric Co.**
March 5 filed 114,166 shares of common stock (no par) to be offered for subscription by common stockholders of record March 24 on the basis of one new share for each seven shares held; rights to expire on April 8. **Price**—$25.25 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Smith, Barney & Co., New York.

Southern Indiana Gas & Electric Co. (4/13)
March 5 filed $8,000,000 first mortgage bonds due April 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blair, Rollins & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on April 13 at office of Commercial Services, Inc., 20 Pine Street, New York, N. Y.

Spokane Seed Co., Spokane, Wash.
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

Standard Uranium Corp., Moab, Utah (4/6)
March 15 filed 1,430,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—To exercise options on claims, and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

★ **Sterling Investment Fund, Inc., Charlotte, N. C.**
March 23 filed 100,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents) to be offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. **Underwriter**—None. **Office**—Salt Lake City, Utah.

Stromberg-Carlson Co.
Feb. 24 filed 72,025 shares of 4½% cumul. convertible preferred stock (par $50) being offered to common stockholders of record March 15 on the basis of one new share for each seven shares held; rights to expire on March 31. **Price**—$50 per share. **Proceeds**—To repay $1,100,000 bank loans and for general corporate purposes. **Underwriter**—The First Boston Corp., New York

★ **Super Valu Stores, Inc., Hopkins, Minn. (4/8)**
See Winston & Newell Co., below.

Tennessee Gas Transmission Co. (3/30)
March 11 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

★ **Texas Southern Oil & Gas Co.,**
March 15 (letter of notification) 200,000 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For payment to Warlit Oil Corp. and for working capital. **Office** — Wilson Tower Building, Corpus Christi, Texas. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Texas Utilities Co. (4/13)
March 15 filed 250,000 shares of common stock (no par). **Proceeds**—For investment in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on April 13, 1954.

● **Textron Incorporated, Providence, R. I.**
Feb. 8 filed 195,668.4 shares of 4% preferred stock, series B (par $100) and 489,171 shares of common stock (par 50 cents) to be offered to holders of the 978,342 shares of common stock of American Woolen Co. on the basis of one-fifth of a share of preferred and one-half share of common stock plus $5 in cash for each American Woolen common share. The offer will expire April 5, unless extended. **Dealer-Manager** — Blair, Rollins & Co. Inc., New York.

★ **Trip-Charge, Inc., Pittsburgh, Pa.**
March 17 (letter of notification) 22,428 shares of 7% preferred stock (par $10) and 7,476 shares of common stock (par $1) to be offered in units of three preferred shares and one common share. **Price**—$33 per unit. **Proceeds**—For expansion and working capital. **Business**—Credit cards. **Office**—Fifth and Hamilton, Pittsburgh 6, Pa. **Underwriter**—None. Common stockholders will have preemptive right to subscribe for units of one share of each class of stock at $12.50 per unit.

Union Uranium Co., Denver, Colo.
Feb. 16 (letter of notification) 29,910,000 shares of common stock, purchasers of the first 9,970,000 shares to be given the option to purchase two additional shares for each share purchased. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—230 E. 19th Avenue, Denver, Colo. **Underwriter**—J. W. Hicks & Co., Denver, Colo.

Utah Power & Light Co. (5/19)
Feb. 16 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to noon (EDT) on May 19, in Room 2033, Two Rector St., New York, N. Y.

Utah-Wyoming Atomic Corp.,
March 10 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To purchase, explore and develop claims. **Office**—Judge Building, Salt Lake City, Utah. **Underwriter** — Securities National Corp., Newark, N. J.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

● **West Texas Utilities Co. (4/8)**
March 15 filed 60,000 shares of cumulative preferred stock (par $100), of which 47,370 shares are to be first offered in exchange for outstanding $6 cumulative preferred stock on a share-for-share basis. **Proceeds**—To redeem $6 preferred stock and to finance new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Union Securities Corp.; Lehman Brothers; Stone & Webster Securities Corp.

● **Western Kentucky Gas Co. (4/6)**
March 17 filed 125,000 shares of common stock (par $5), of which 50,000 shares are for the account of the company and 75,000 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding loans and for new construction. **Office** — Owensboro, Ky. **Underwriters** — Equitable Securities Corp., Nashville, Tenn., and J. J. B. Hilliard & Son, Louisville, Ky.

★ **Wilson Organic Chemicals, Inc.**
March 18 (letter of notification) 7,500 shares of common stock (par $1). **Price**—$2.37½ per share. **Proceeds**—To selling stockholder. **Office** — Sayreville, N. J. **Underwriter**—Graham, Ross & Co., Inc., New York.

● **Winn & Lovett Grocery Co. (3/31)**
March 10 filed $10,000,000 sinking fund debentures to mature April 1, 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,400,000 of outstanding funded debt and for general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **Winston & Newell Co., Hopkins, Minn. (4/8)**
March 19 filed 12,000 shares of 5.40% cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—J. M. Dain & Co., Piper, Jaffray & Hopwood and Woodard-Elwood & Co., all of Minneapolis, Minn. **Change in Name**—In April, 1954, name will be changed to Super Valu Stores, Inc.

Wisconsin Public Service Corp.
Feb. 19 filed 316,867 shares of common stock (par $10) being offered for subscription by common stockholders of record March 12 on the basis of one new share for each seven shares held; rights to expire on March 30. Up to not exceeding 10,000 shares of unsubscribed shares to be offered first to employees. **Price**—$18.40 per share. **Proceeds**—For construction program. **Underwriters** — The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York; Robert W. Baird & Co., Inc., Milwaukee, Wis.; and William Blair & Co., Chicago, Ill.

Prospective Offerings

Alabama Gas Corp.
March 1 it was announced stockholders will vote April 20 on approving an increase in the authorized common stock (par $2) from 1,000,000 to 2,000,000 shares. Southern Natural Gas Co., parent, owns about 99% of the presently outstanding common stock. There are no plans for immediate financing. **Underwriter**—None.

★ **Allis-Chalmers Manufacturing Co.**
March 23 the company announced it is preparing a $50,000,000 financing program which will include the issuance and sale of 350,000 shares of new $100 par convertible preferred stock (carrying a dividend rate between 3¾% and 4¼%) and $15,000,000 of debentures or notes. **Proceeds** — To be added to general funds. **Meeting**—Stockholders will vote May 5 on a proposal to increase the authorized preferred stock (par $100) from 259,481 shares (118,854 shares outstanding) to 618,854 shares. **Underwriter**—Previous financing was underwritten by Blyth & Co., Inc., New York.

American Natural Gas Co.
March 11 it was announced stockholders will vote April 28 on increasing the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co.
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Baltimore & Ohio RR.
One bid was received by the Secretary of Reconstruction Finance Corporation, 811 Vermont Ave., N. W., Washington 25, D. C., on March 15 for the purchase from the RFC of all or any part of $65,000,000 collateral trust 4% bonds, series A, due Jan. 1, 1965 of this railroad. This bid of 85½ and accrued interest made by Bear, Stearns & Co. was rejected.

Boston Edison Co.
Feb. 15 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

Carrier Corp.
Feb. 23 stockholders approved a proposal to increase the authorized common stock (par $10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par $50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds**—For expansion, etc. **Underwriters**—Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.

Central Hudson Gas & Electric Corp.
March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at $17,300,000 for 1954-1955. Company is reported to be considering the issuance of about $9,000,000 bonds this fall and $3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

● **Central RR. of New Jersey (3/25)**
Bids will be received up to 11:30 a.m. (EST) on March 25 at the company's office, 143 Liberty St., New York, N. Y., for the purchase from it of $1,815,000 equipment trust certificates to be dated April 1, 1954, and to mature in 15 annual instalments of $121 000 each to and including April 1, 1969. Probable bidders: Halsey, Stuart & Co Inc.; Salomon Bros. & Hutzler; Blair, Rollins & Co. Inc.; Kidder, Peabody & Co.

★ **Chicago Great Western Ry.**
Feb. 26, the ICC dismissed the company's application for exemption of an issue of $6,000,000 collateral trust bonds due Nov. 1, 1978 from competitive bidding. **Proceeds** — To repay bank loans and for capital improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. On April 23, last year, the road rejected the only bid made of 98.05% for a 5¾% coupon by Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly).

★ **Claussen Bakeries, Inc., Augusta, Ga. (4/20)**
March 16 it was reported company plans to sell 225,000 shares of common stock. **Proceeds**—For working capital. **Underwriter**—Johnson, Lane, Space & Co., Savannah, Ga. **Registration**—Expected March 31.

★ **Cleveland Electric Illuminating Co. (5/6)**
March 15 it was reported that company plans to issue and sell around $20,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Bids**—Tentatively expected May 6.

Colonial Fund, Inc.
March 12 it was reported that, in connection with proposal to mutualize this Fund, a block of capital stock may be offered publicly through Stone & Webster Securities Corp., New York, and associates.

★ **Colorado-Western Pipeline Co.**
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced that company plans early in June to issue and sell $40,000,000 of senior debentures and an additional $40,000,000 of senior debentures later in 1954. **Proceeds**—For construction expenses and to repay a bank loan of $25,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Commonwealth Edison Co.**
March 22 it was reported that the company is understood to be considering the sale of $50,000,000 of bonds in May. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

★ **Consolidated Edison Co. of New York, Inc. (5/11)**
March 22 company applied to New York P. S. Commission for authority to issue and sell $50,000,000 of first and refunding mortgage bonds, series K, due 1984. Pro-

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ceeds—To redeem outstanding New York Steam Corp. and Westchester Lighting Co. bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids** — Expected to be received on May 11.

Consolidated Natural Gas Co. (5/25)
Jan. 27 it was reported company plans to issue and sell $25,000,000 of debentures due 1979. **Proceeds**—To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 25.

★ Duquesne Light Co.
March 8, Philip A. Fleger, Chairman, stated that about $24,000,000 of new capital will be required during 1954 and that plans for obtaining the necessary funds will be announced in the near future. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman, Ripley & Co., Inc. (2) For common stock—Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly).

Eastern Utilities Associates
March 8 it was announced company plans the sale not later than Oct. 1, 1954 of about $2,000,000 of common stock, probably first to stockholders. **Proceeds**—To repay bank loan.

★ Empire District Electric Co.
March 16 it was reported company plans the sale about the middle of 1954 of not over 40,000 shares of preferred stock, if market conditions are favorable. **Proceeds**—About $4,000,000 to be used for construction program. **Underwriters**—The First Boston Corp, New York; and G. H. Walker & Co., St. Louis, Mo.

First National Bank of Portland (Ore.)
Feb. 23 stockholders approved a proposal to issue and sell to stockholders of record Feb. 26 a total of 400,000 additional shares of $12.50 par value capital stock on the basis of one new share for each three shares held; rights to expire on April 15. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Unsubscribed shares to be purchased by Transamerica Corp.

First National Bank of Toms River, N. J. (5/14)
Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Feb. 15 it was announced stockholders will vote March 25 on increasing authorized preferred stock from 250,000 to 500,000 shares and the common stock from 2,500,000 to 5,000,000 shares. **Underwriters** — Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Florida Power & Light Co.
Jan. 25 it was reported company may later this year issue and sell about $15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Foote Mineral Co., Philadelphia, Pa.
Feb. 20 it was announced stockholders will vote April 22 on increasing the authorized common stock (par $2.50) from 500,000 shares to 1,000,000 shares. There are presently 276,088 shares outstanding and an additional 43,217 shares are reserved for conversion of debentures and the remaining 180,695 shares are available for the employees' stock bonus plan. The proposed increase in capitalization is necessary to provide additional shares to finance the continued growth of the company, or if it seems advisable for stock dividends or a stock split. **Underwriter**—Estabrook & Co., New York and Boston.

★ Foster-Forbes Glass Co., Marion, Ind.
March 15 it was reported company plans to sell only to residents of Indiana 8,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($50 per share). **Proceeds**—For expansion and working capital. **Underwriters**—Raffensperger, Hughes & Co., Inc. and Indianapolis Bond & Share Corp.

★ General Acceptance Corp. (4/27)
March 22 it was reported company plans registration, probably next week, of $4,000,000 convertible debentures due 1984 (with warrants). **Underwriter**—Paine, Webber, Jackson & Curtis. **Registration**—Expected in a week or 10 days.

General Public Utilities Corp. (5/17)
March 8 it was announced company plans to offer about 606,576 additional shares of common stock (par $5) to stockholders on the basis of one new share for each 15 shares held on or about May 15; rights to expire June 2. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

★ Granby Consolidated Mining, Smelting & Power Co., Ltd.
March 23 it was announced that the company may find it necessary to sell a bond issue or to issue the balance of its unissued common shares, of which there are 149,739.35 of $5 par value. As the company's shares are now selling on the New York Stock Exchange at about $7.50 per share it is necessary that stockholders on April 13 approve issuance of the unissued shares before they can be sold at a premium. **Proceeds**—To be used for financing Granduc Mines, Ltd., in which Granby owns an interest.

Gulf Insurance Co., Dallas, Texas (4/12)
Feb. 15, T. R. Mansfield, President, announced that company plans to offer to its stockholders of record April 12 the right to subscribe for 5,000 additional shares of capital stock (par $10) on a pro rata basis. **Price**—Not exceeding $55 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—None.

• Hewitt-Robins, Inc.
March 23 stockholders approved an authorized issue of 50,000 shares of cumulative preferred stock (par $50), of which it is planned to market immediately 25,000 shares. **Proceeds** — For expansion and working capital. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Illinois Central RR. (3/25)
Bids will be received by the company up to noon (CST) on March 25 at Room 301, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,300,000 equipment trust certificates, series 39, to be dated April 1, 1954 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair, Rollins & Co. Inc.; Kidder, Peabody & Co.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

Jersey Central Power & Light Co.
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding, Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.: Lehman Brothers.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting** — Stockholders will vote April 27 on approving new financing.

Kansas-Nebraska Natural Gas Co., Inc.
March 8 it was reported company plans to raise this year about $7,500,000 through sale of bonds and common stock. **Proceeds**—For expansion program. **Underwriters**—For bonds: Central Republic Co., Inc., Chicago. For stock: The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago, Ill.

Koppers Co., Pittsburgh, Pa.
March 3 it was announced stockholders will vote March 29 on increasing the authorized common stock from 2,000,000 shares (1,867,125 shares outstanding) to 3,000,000 shares. There are no immediate plans to issue any of the additional stock. **Underwriter**—The First Boston Corp., New York.

Long Island Lighting Co.
March 4 it was announced company plans later this year to issue additional common stock and mortgage bonds to finance its construction program, which will require about $70,000,000 additional financing. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co. Underwriters for common stock may be Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. and associates.

Long Island Lighting Co.
March 11 directors authorized the management to proceed with steps to refund the outstanding $20,000,000 of 5¼% preferred stock, series A and series C, when market conditions are deemed satisfactory. **Underwriters**—For new preferred issue: The First Boston Corp., W. C. Langley & Co. and Blyth & Co., Inc.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

★ Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

★ Montana Power Co. (5/4)
March 22 it was reported planned to register about March 24 $8,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Lee Higginson Corp. (jointly); Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 4.

★ Montana Power Co. (5/4)
March 22 it was reported company about March 24 intended to register with the SEC 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 4.

★ Montana Power Co. (5/12)
March 22 it was reported the company about March 24 intended to register with the SEC $18,000,000 of debentures due 1979. **Proceeds**—To refund a like amount of 4¾% debentures due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 12.

★ Montreal Transportation Commission
March 22 it was reported Commission may issue and sell around $30,000,000 to $35,000,000 bonds for refunding purposes. **Underwriter**—If through competitive bidding, probable bidders will include: Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co., Union Securities Corp., and Blyth & Co., Inc. (jointly); Dominion Securities Corp.

• New Jersey Bell Telephone Co. (5/5)
Feb. 19 the company petitioned the New Jersey P. U. Commission for permission to issue and sell in May $25,000,000 of first mortgage bonds and $75,000,000 of capital stock (the latter to American Telephone & Telegraph Co.). **Proceeds**—To finance construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 5.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York State Electric & Gas Corp.
Feb. 3 company sought authority from the New York P. S. Commission to sell an issue of $5,000,000 par value of preferred stock early this spring. It is also planned to issue and sell in the spring $20,000,000 of first mortgage bonds. Previous financing was done privately.

Northern Illinois Gas Co.
March 12 it was announced directors have authorized a public offering, subject to market conditions, of 400,000 shares of common stock about May 1. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters** — To be determined by competitive bidding. Probable bid-

ders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

★ Ogden Corp., New York

March 19 it was announced stockholders on April 1 will vote authorizing an issue of $20,000,000 debentures and 300,000 shares of preferred stock (par $50) and increase the authorized common stock from 3,404,135 shares to 5,500,000 shares. **Proceeds**—To complete certain acquisitions and to repay short-term borrowings. **Underwriter**—May be Allen & Co., New York.

Pennsylvania Glass Sand Corp.

Feb. 26 it was announced stockholders will vote April 27 on increasing the authorized common stock from 740,000 shares to 1,000,000 shares. No immediate plans to issue any of the additional stock have been announced. **Underwriters**—Harriman Ripley & Co. Inc., and Smith, Barney & Co., New York.

Public Service Co. of Colorado

Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Proceeds** — For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co (jointly).

Public Service Electric & Gas Co.

Jan. 27, G. H. Blake, President, announced that a $50,000,000 financing program is expected in the Spring The type of securities to be issued is still undetermined but some form of debt financing is indicated. **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. Previous public offering of common stock was handled by a group headed by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co.

Riddle Airlines, Inc.

Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to $300,000 of new securities. **Underwriter**—Eisele & King Libaire, Stout & Co., New York.

Scott Paper Co.

Feb. 23 it was announced stockholders will vote April 27 on increasing the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Scudder Fund of Canada, Ltd.

Jan. 29 it was announced company intends to make an initial public offering of its common shares in the United States to realize at least $5,000,000.

Southwestern Development Co.

Jan. 18 it was announced that Sinclair Oil Corp. will receive 769,722 shares of Pioneer Natural Gas Co. stock under plan of distribution of Southwestern's assets to be voted upon Feb. 15. **Underwriter**—Union Securities Corp., New York, underwrote sale of Sinclair's holdings in Colorado Interstate Gas Co.

Southwestern Gas & Electric Co.

March 8 it was announced company plans to issue and sell in September, 1954, $10,000,000 first mortgage bonds. **Proceeds**—To refund bank loan of $7,500,000 and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.

Sutton (O. A.) Corp., Wichita, Kan.

Feb. 15 it was reported company may do some financing later this year, either public or private. **Business**—Air circulating equipment, etc.

Temco Aircraft Corp.

March 10 it was reported company does not plan any preferred stock financing at this time, but registration is expected soon of 300,000 shares of common stock. **Proceeds** — To selling stockholders. **Underwriter** — Van Alstyne, Noel & Co, New York. **Offering**—Expected in April.

Tennessee Gas Transmission Co.

Jan. 27 it was reported company plans issuance and sale of $20,000,000 of debentures in April or May and $25,000,000 of first mortgage pipe line bonds in July. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Eastern Transmission Corp.

March 5 it was announced stockholders will vote April 27 on increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares. **Underwriter**—Dillon, Read & Co. Inc., New York.

Toledo Edison Co.

March 3 it was announced stockholders will vote April 20 on increasing the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

★ Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Oil Co. of California

March 8 it was announced stockholders on April 13 will vote on increasing the authorized common stock from 7,500,000 shares to 15,000,000 shares. The company said it has no immediate plans to market the additional shares. **Underwriters**—Dillon, Read & Co., New York.

★ Virginia Electric & Power Co. (5/17-18)

March 17 it was reported company plans to issue and sell $25,000,000 first refunding mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. **Bids**—Expected about May 17-18. **Registration** — Tentatively scheduled for about April 19.

West Coast Telephone Co.

Feb. 6 it was announced California P. U. Commission has authorized company to issue 20,000 shares of common stock (par $25). **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif.

West Penn Power Co. (4/20)

Feb. 1 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds, series P, due 1984. **Proceeds**—For construction program of West Penn Power Co. and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; W. C. Langley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Registration** — Scheduled for March 26. **Bids**—Tentatively expected on April 20.

West Texas Utilities Co.

March 8 it was announced company plans to refund its $5,500,000 bank loan in the Spring of 1955 through the issuance and sale of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

Western Pacific RR. Co.

March 10 company applied to the ICC for exemption from competitive bidding on its proposed $22,500,000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225,000 of $100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer $100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.

York Corp. (4/14)

March, 1 it was reported company may issue and sell 220,000 additional shares of common stock and $18,000,000 of debentures. **Underwriters** — The First Boston Corp. and Kidder, Peabody & Co., of New York. **Meeting**—Stockholders to vote April 8 on increasing authorized common stock from 1,500,000 to 2,500,000 shares. **Registration**—Expected on March 25.

World Bank Issues Swiss Series Bonds

Syndicate of leading Swiss banks opened subscription books on March 23 for 50,000,000 Swiss francs 3½% bonds, due April 15, 1972.

An issue of Swiss franc bonds of the International Bank for Reconstruction and Development was offered publicly in Switzerland on March 23 by a syndicate of leading Swiss banks. The offer comprised Sw. fr. 50,000,000 (approximately $11,600,000) of 3½% 18-year bonds, due April 15, 1972, at par. The issue will be known as 3½% Swiss Franc Bonds of 1954, March Issue. Subscription books for the issue were opened on March 23 and will close March 29.

The banking group making the offering is headed by the Credit Suisse, of Zurich; the Union Bank of Switzerland, of Zurich, and the Swiss Bank Corporation, of Basle. Other members of the syndicate are: the Societe Anonyme Leu & Cie., of Zurich; the Banque Populaire Suisse, of Berne; the Groupement des Banquiers Prives Genevois, of Geneva; Messrs. A. Sarasin & Cie., of Basle, and the Societe Privee de Banque et de Gerance, of Zurich. The members of the syndicate will also act as paying agents for the issue in Switzerland.

The bonds will be callable in whole or in part on and after April 15, 1964, at par. In event of partial redemption an amount of not less than Sw. fr. 5,000,000 principal amount of the bonds must be redeemed. The issue will be listed on the stock exchanges of Zurich, Basle, Geneva, Berne and Lausanne.

The new Swiss issue is the fifth public offering of International Bank bonds in Switzerland. It will bring the total of Bank bonds issued in Switzerland to Sw. fr. 295,500,000 (approximately $68,700,000) and the total outstanding to Sw. fr. 263,500,000 (approximately $61,300,000).

The previous public offerings were: Sw. fr. 50,000,000 3½% 12-year bonds, made in July, 1951; Sw. fr. 50,000,000 3½% 10-year bonds, made in November, 1952; Sw. fr. 50,000,000 3½% 15-year bonds, made in June, 1953; and Sw. fr. 50,000,000 3½% 15-year bonds, made in November, 1953. Before the first public offering, the Bank had sold two small issues in Switzerland through private placement. In 1948 it placed Sw. fr. 17,000,000 (approximately $4,000,000) of 2½% serial bonds, and in 1950, it placed with Swiss banks Sw. fr. 28,500,000 (approximately $6,500,000) of 2½% serial bonds due 1953-56. The issue sold in 1948 was redeemed in full in August, 1952. Sw. fr. 15,000,000 of the issue sold in 1950 matured and was paid in three tranches of Sw. fr. 5,000,000 each in March and September, 1953 and March, 1954.

A. W. Ault Adds

CINCINNATI, Ohio—Mrs. Dolly S. McCarthy is now associated with A. W. Ault & Co., 105 East Fourth St.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — A final solution of major tax legislation is likely to be delayed until late spring or early summer.

Now that the House has passed the tax revision bill, it goes to the Senate Finance Committee. That Committee is not accustomed to "counter-signing" so to speak, any House-passed legislation without reading it. It probably would take the Finance Committee three weeks of continuous executive session to merely read the huge bill, section by section, working all day. It probably would take longer. Furthermore, the Committee is most likely, it is believed, to hold some public hearings.

Hence Senate Finance Committee approval of the revision bill could come in the month of April only by a miracle. Some observers feel the Committee would do well to get the bill out of Committee by some time in May.

As a consequence, Senate completion of its version of the bill should not normally be expected much before the end of May and, unless there is almost complete harmony between House and Senate versions, major tax legislation is not likely to be enacted in final form before early summer.

Excise Bill Deals With Expiring Rate

In the current excise tax bill, the Senate Finance Committee is getting out of the way, possibly in time, the really pressing problems of expiring rates of taxation, or the provision for continuing the higher excises upon, primarily, autos, gasoline, liquors, and tobacco. If these expired it would be something of a messy situation reinstating the higher rates.

On the other hand, the technical expiration of the 52% rate of corporation income taxation March 31, is expected to cause little disturbance. The extension for one year in the higher rate was made a part of the revision bill, and it will affect earnings for the calendar year. Corporations are on notice that the 52% rate is likely to be continued, so the technical, temporary step-down of the rate to 47% on April 1 is unlikely to break any corporate financial bones, officials say.

An Age Ahead

Politically speaking, it is practically an age between now and late May or early June. Between now and then, when the final roll is called up on yonder Capitol Hill on tax legislation, almost anything can happen. The prophets of gloom may see their wishes fulfilled, or they may see them lost. Prosperity may be returning with evident vigor, or there may be poorer times.

In brief, the future of the whole tax program can be affected decisively by events in the intervening couple of months. Hence it is considered idle to speculate about what the vote will be in the Senate on the central issue of raising the exemptions under the personal income tax, and thus risking the possibility of the collapse of the Administration's fiscal and tax programs, or the collapse of tax legislation.

It was pretty close to a miracle that Mr. Eisenhower did not lose his tax and fiscal program in the House. The vote of 210 to 206 on the crucial motion to recommit means this: If four votes had been cast differently, or a shade under 1% of the total vote cast, the tax bill would have been defeated, at least tentatively, in the House.

Eye Code Revision

If the Senate Finance Committee allows any length of time for hearings, tax lawyers and accountants are expected to stress the importance of a careful check of the technical revisions in the Internal Revenue Code.

Ordinarily when changes in the language of the Code are proposed in Congress, the proposed changes take the form of a bill, with specific language. In this case, however, in order to get the Code revision drafted in time for consideration by the House this year, the Ways and Means Committee re-wrote the Code in executive session without giving any advance actual text of proposed changes.

This perhaps was necessary under the circumstances. However, only the technical staffs of Congress and the Treasury participated. Outside tax lawyers and accountants got their first look at code revision only when the bill was ready for consideration by the House, and when there was no time for possible amendments.

In general — with some exceptions—the tax experts outside Congress and the Administration are quarreling not with principles, but with some obscurities of language, it was explained.

The effect of the Code revision is that wherever a provision of the Code is re-written, all past regulations, all past administrative interpretations, Tax and other Court decisions, and so on, are wiped out. The entire tax collecting and tax-paying business starts from scratch so far as trying to understand and interpret what the law means.

Lawyers claim that simply because of haste, and in total innocence, the staffs of the Treasury and the Committee have made errors or left gaps which may plague the Internal Revenue Service and taxpayers and their professional assistants for many years to come.

To Hold Gold Hearings

Significance of the prospective gold hearings before a subcommittee of the Senate Banking Committee, is the making good on a perhaps outdated commitment to Senator Styles Bridges (R., N. H.).

Last year Senator Bridges introduced a bill which would restore the convertibility of United States currency into gold on the demand of citizens. The same bill would restore the legal right of the citizen to possess gold.

Restoration of the gold standard was one of the platform planks of the Republicans in 1952, and Senator Bridges requested of Chairman Homer Capehart (R., Ind.) of the Senate Banking Committee, that hearings be held. Senator Capehart consented, but because of other matters before the Committee, was unable to get around to this subject last year.

Committee will open up hearings not only to the Bridges bill, but also to proposals which would provide for a free domestic market in newly-mined or newly imported (after enactment) gold.

In view of the inability of the Eisenhower Administration to balance the Federal budget, observers wonder why the Senate Banking Committee is opening up that question to public discussion.

When he was up for confirmation, Secretary Humphrey in response to questioning by members of the Finance Committee, indicated that he felt that restoration of the gold standard was a desirable objective toward which the government should work. He also hinted, however, that now is not the time.

It is expected that when he is questioned, verbally or by letter, on the subject this year, that Mr. Humphrey will take about the same position as he did more than a year ago.

Thus the public hearings will bring out that the Eisenhower Administration does not feel itself in a position to make good on this particular GOP platform promise of 1952.

Housing Confused

At the beginning of this week the House Banking Committee began in closed session to write up its modifications, if any, of the Eisenhower Administration housing legislative program. The Senate Committee may be ready in a few days to complete its hearings on the same bill.

Yet as of now, there is scarcely anybody close to this legislation who has a sure feel of what the Congress finally will enact. It is unusual in this advanced stage of consideration for a final result to appear so elusive.

In its approach, the housing bill proposed, as it were, "something for everybody." The hearings have developed that far from pleasing every special interest group, the bill mostly has displeased such special groups. On the other hand what pleases one group displeases another.

There are so many conmflicting groupings in every phase of the proposed housing legislation, that the outlook is complex to the extreme.

This would suggest that the best politics might be to forget the entire subject. On the other hand, having sent a special message to Congress on the subject, the President's political neck is, as it were, way out that a housing bill must be passed by Congress this year.

It is possible that widely divergent versions of housing legislation will be passed by the two different Houses, and that the final legislation will be written in confidence if the bill does not fail.

See Little Chance On Holding Company Bill

The Senate Banking Committee this year will have another try at attempting to write legislation regulating the growth of bank holding companies and providing for their disposition of non-bank assets. There is little prospect of agreement on a bill, however, as yet.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Hmm-mm!—Maybe I DID make it a trifle too strong—better say 'I beg to differ' instead of 'You're a big, fat liar'!"

Business Man's Bookshelf

Foreign Exchange Regulations in Great Britain—8th Supplement —Bank of International Settlements, Basle, Switzerland (paper), f 00 Swiss Francs (complete compilation — original publication with the eight supplements, 75.00 swiss francs).

How to Get Leads for Your Sales Force—24-page book on promotional work for security dealers —Mailograph Company, Inc., 39 Water Street, New York 4, N. Y. —$1.50.

Regularization of Business Investment — A Conference — Princeton University Press, Princeton, N. J. (cloth), $8.00.

R. W. Dudley Opens

WASHINGTON, D. C.—Robert W. Dudley is engaging in a securities business from offices at 1025 Connecticut Avenue, N. W.

James E. Johnston

James E. Johnston of Montreal, retired broker, passed away at the age of 67 following a heart attack.

Joins Walston Staff

GLENDALE, Calif.—Norman C. DeLoss has become affiliated with Walston & Co. Mr. DeLoss was formerly Glendale representative for George R. Miller & Co., Inc.

With California Investors

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Adolph D. Silverman has been added to the staff of California Investors, 3924 Wilshire Boulevard.

Boettcher Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Daniel P. Donegan, Jr., has been added to the staff of Boettcher and Company, 135 South La Salle Street.